

**STATE OF NEW MEXICO
CITY OF DEMING**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2010

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CITY OF DEMING
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**STATE OF NEW MEXICO
CITY OF DEMING
DIRECTORY OF OFFICIALS
JUNE 30, 2010**

ELECTED OFFICIALS

Andres Z. Silva Mayor
William C. Shattuck Mayor Pro-Tem
Linda Enis..... City Councilor
Joe F. Milo City Councilor
David Sanchez City Councilor

DEPARTMENT HEADS

Richard F. McInturff City Administrator/Treasurer/Clerk
Richard Kocab Assistant City Treasurer
Michael Carillo..... Chief of Police
Edgar Davalos..... Fire Chief
Aaron Sena Community Services Director
Louis Jenkins Director of Public Works
Frank M. VanGundy..... Municipal Judge

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
City of Deming
Deming, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City of Deming, New Mexico (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise funds, and the budgetary comparisons for the major capital fund, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Deming's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental, and nonmajor enterprise funds of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the general fund, Street fund, Co-Op fund, major enterprise funds and all non-major funds referred to previously present fairly, in all material respects, the budgetary comparison for each fund of the City of Deming for the year ended June 30, 2010, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011, on our consideration of the City of Deming's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control or on financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages four through seventeen is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and budgetary comparison statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements and other opinion units listed above. The additional schedules listed as supplemental financial information and supplemental federal financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and other opinion units listed above. Such information have been subjected to the auditing procedures applied in the audit of the opinion basic financial statements and other units listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, and other opinion units listed above taken as a whole.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

The following is an overview of the financial condition for the City of Deming, New Mexico (City), for the fiscal year ended June 30, 2010. This narrative highlights the major aspects of the City's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

- The City assets exceeded liabilities by \$85,486,812 at June 30, 2010. Approximately 19% of the City's net assets may be used to meet the City's ongoing obligations to citizens and creditors. As a result of operations, the City increased its net assets during the current year by \$3,202,543.
- Unrestricted cash and investments at June 30, 2010, totaled \$13,338,166. Current liabilities, including the current portion of long-term liabilities at June 30, 2010, amounted to \$1,603,195.
- During the fiscal year, the City governmental activities expended \$2,259,754 for capital assets. The business-type activities expended \$2,196,655 for capital assets.
- Investment in capital assets for the City total \$70,153,552 net of accumulated depreciation at June 30, 2010. These capital assets included land, construction in process, buildings, improvements, infrastructure, utility system, airport infrastructure and equipment.
- Long-term liabilities for the City at the end of the year amounted to \$1,862,173. During the year, the City decreased its long-term liabilities by \$3,364,702 when compared to the previous year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Government-Wide Financial Statements (continued)

The governmental activities of the City include general government, public safety, public works, culture and recreation, health and welfare, and economic development. The business-type activities of the City include gas, sewer, solid waste, water, airport, and cemetery. The government-wide financial statements can be found on pages eighteen and nineteen of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental, proprietary, and fiduciary funds. Currently, the City has two fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison by governmental funds and governmental activities.

In addition to the general fund, the City maintains twenty-five other individual governmental funds of which seventeen are classified as special revenue funds and nine are classified as a capital projects funds. Information for the general fund, street fund, and the co-op capital project fund, which are considered major funds, are presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its funds. The budgetary comparison statement for the major general and street funds are located on pages twenty-four and twenty-five. Budgetary comparison statements for the non-major special revenue, and major and non-major capital projects are located on pages seventy through one-hundred thirteen. The basic governmental fund financial statements can be found on page twenty through twenty-five of this report.

STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Proprietary Funds

The City maintains one type of proprietary funds that are enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund statements can be found on pages twenty-six through thirty-one of this report.

Enterprise Funds

The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its gas, sewer, solid waste, and water services provided to the citizens. Additionally, the City uses enterprise funds to account for an airport and a cemetery.

The enterprise fund financial statements provide separate information for the gas fund; sewer fund; solid waste fund; water fund, and airport fund are considered major funds of the City. Data from the non-major cemetery enterprise fund as they are combined into a single aggregated presentation. Individual fund data for the non-major enterprise fund is provided on pages ninety-nine through one hundred-one.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic financial statement can be found on page one hundred fourteen of this report.

The City's two fiduciary funds account for monies collected and expended for various purposes. The local government corrections fund accounts for correction fee receipts and disbursements. The United Industries Fund accounts for assets provided by a private donor. The funds are held as a part of a settlement agreement with the City.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages thirty-two through sixty-three of this report.

Other Information

The combining statements referred to earlier in connection with non-major are presented immediately following the notes to the financial statements. Combining governmental fund statements can be found on pages sixty-four through seventy-nine of this report.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Government-Wide Financial Analysis

The City has restated the governmental activities and business-type activities net assets and associated assets as of June 30, 2010. Note 13 provides detail as to the restatements. The condensed statements of net assets and activities presented below have been restated to reflect the changes discussed in note 13.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$85,486,812 at the close of the most recent fiscal year. Approximately eighty-one percent of the City's net assets are composed of investment in capital assets (e.g., land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. The City uses these assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	06/30/10	06/30/09	06/30/10	06/30/09	06/30/10	06/30/09
Assets:						
Current and other assets	\$ 9,259	\$ 9,565	\$ 9,136	\$ 10,841	\$ 18,395	\$ 20,406
Capital assets, net of accumulated depreciation	38,305	37,741	31,849	30,795	70,154	68,536
Total assets	47,564	47,306	40,985	41,636	88,549	88,942
Liabilities:						
Current liabilities	832	1,104	771	910	1,603	2,014
Long-term liabilities	81	180	1,378	4,464	1,459	4,644
Total liabilities	913	1,284	2,149	5,374	3,062	6,658
Net Assets:						
Invested in capital assets, net of related debt	38,305	37,625	30,860	26,594	69,165	64,219
Restricted:						
Debt Service	-	19	94	2,351	94	2,370
Unrestricted	8,346	8,378	7,882	7,317	16,228	15,695
Total net assets	\$ 46,651	\$ 46,022	\$ 38,836	\$ 36,262	\$ 85,487	\$ 82,284

The City has net assets of \$93,973 restricted for debt service at June 30, 2010. The remaining balance of unrestricted net assets at June 30, 2010 is \$16,228,489, and that amount may be used to meet the government's ongoing obligations to citizens and creditors. The City increased its net assets from operations by \$3,202,543 during the current fiscal year. At the end of the current fiscal year, the City is able to report positive balances in the three categories of net assets.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Government-Wide Financial Analysis (continued)

At June 30, 2009, unrestricted cash and investments totaled \$13,102,760. At the end of the current year, unrestricted cash and investments totaled \$13,338,166; an increase of \$235, 406. There was a very slight increase in unrestricted cash from governmental activities. The vast majority of the total increase was an increase of \$268,187 in the business-type activities. Unrestricted cash in business activities grew from surplus cash flows generated from operations of the various enterprise funds. It should be noted that the sewer and the non-major funds were exceptions in that they had negative cash flows of \$351,632 and \$23,101, respectively. It is anticipated that the sewer fund will require a rate adjustment in the future.

At June 30, 2009, receivables for the City equaled \$3,947,288. At June 30, 2010, the receivables totaled \$3,942,016. The decrease of \$5,272 demonstrates that receivables remained fairly stable between the two years.

Government-wide current liabilities that consist of accounts payable, accrued salaries, accrued interest payable, court bond liability, and deposits payable at June 30, 2010, equaled \$1,200,595. At June 30, 2009, the City reported an amount equal to \$1,461,494. The current liabilities decreased by \$260,899. Decreases in accounts payable of \$199,286 and deposits payable of 452,472 can be attributed as the main areas in current liabilities responsible for the total decrease. Both decreases are considered within the normal range of fluctuation.

At June 30, 2009, the long-term debt, including the current portion equaled \$5,226,875. The liabilities were decreased by \$3,364,702 during the current fiscal year to \$1,862,173. Debt had been incurred on the Solana Road utility extension project to ensure a flow of funds during construction. Receipt of grant funds enables the City to retire the debt in its entirety.

The restated government-wide net assets at June 30, 2009, totaled \$76,399,719. Those net assets were increased by \$3,202,543 after the result of operations from the fiscal year ended June 30, 2010, and increased \$5,884,550 for various restatements. The restated governmental net assets at June 30, 2009 amounted to \$46,668,422, and were increased by \$656,390 by operations and 2010 restatements of \$1,053,035, while the restated business-type net assets were increased by \$2,546,153 by operations and 2010 restatements of \$4,831,515.

A condensed comparative statement of activities is as follows:

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

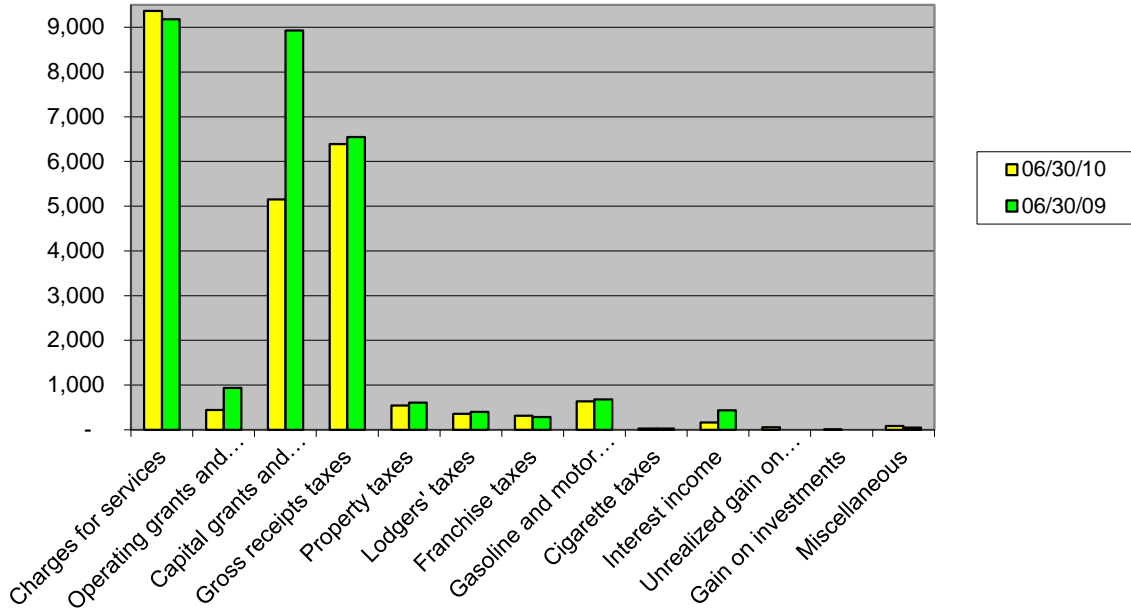
Government-Wide Financial Analysis (continued)

	Condensed Statement of Activities (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	06/30/10	06/30/09	06/30/10	06/30/09	06/30/10	06/30/09
Revenues:						
Program revenues:						
Charges for services	\$ 1,370	\$ 1,448	\$ 7,995	\$ 7,733	\$ 9,365	\$ 9,181
Operating grants and contributions	442	801	-	133	442	934
Capital grants and contributions	2,346	3,987	2,804	4,944	5,150	8,931
General revenues:						
Gross receipts taxes	6,392	6,546	-	-	6,392	6,546
Property taxes, levied for general purposes	544	607	-	-	544	607
Lodger's taxes	358	396	-	-	358	396
Franchise taxes	313	285	-	-	313	285
Gasoline and motor vehicle taxes	633	679	-	-	633	679
Cigarette taxes	28	30	-	-	28	30
Interest income	117	241	43	192	160	433
Unrealized gain on investments	28	-	31	-	59	-
Gain on investments	-	-	2	-	2	-
Miscellaneous	-	-	85	49	85	49
Gain (loss) on disposal of assets	(117)	(8)	19	-	(98)	(8)
Total revenues	<u>12,454</u>	<u>15,012</u>	<u>10,979</u>	<u>13,051</u>	<u>23,433</u>	<u>28,063</u>
Expenses:						
General government	1,653	2,304	-	-	1,653	2,304
Public safety	4,958	5,457	-	-	4,958	5,457
Public works	1,929	2,308	-	-	1,929	2,308
Culture and recreation	2,243	2,316	-	-	2,243	2,316
Health and welfare	580	697	-	-	580	697
Economic development	268	16	-	-	268	16
Gas	-	-	3,879	3,591	3,879	3,591
Sewer	-	-	1,116	1,099	1,116	1,099
Solid waste	-	-	1,475	1,351	1,475	1,351
Water	-	-	1,638	1,553	1,638	1,553
Airport	-	-	386	192	386	192
Cemetery	-	-	30	28	30	28
Interest on long-term debt	4	5	72	148	76	153
Total expenses	<u>11,635</u>	<u>13,103</u>	<u>8,596</u>	<u>7,962</u>	<u>20,231</u>	<u>21,065</u>
Transfers, net	<u>(163)</u>	<u>444</u>	<u>163</u>	<u>(444)</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>\$ 656</u>	<u>\$ 2,353</u>	<u>\$ 2,546</u>	<u>\$ 4,645</u>	<u>\$ 3,202</u>	<u>\$ 6,998</u>

**STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

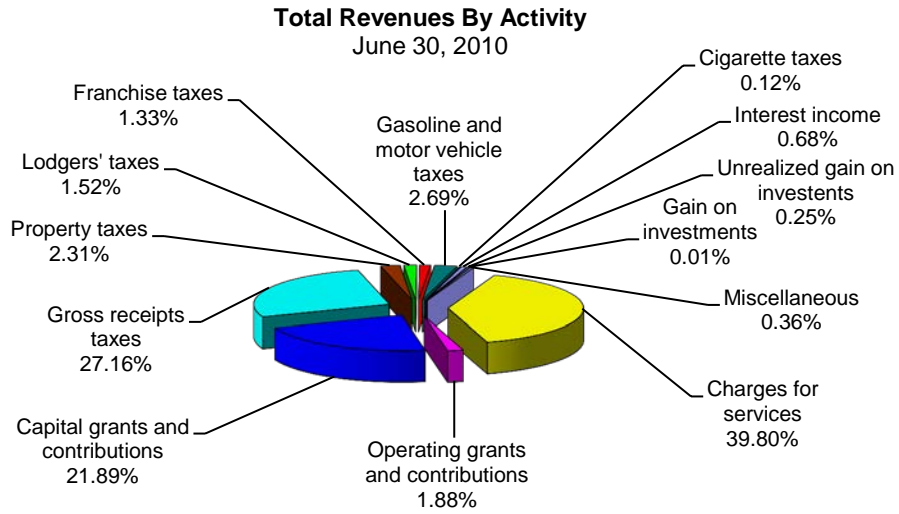
Government-Wide Financial Analysis (continued)

**Comparison of Revenues - By Function
All Activities
(In Thousands)**

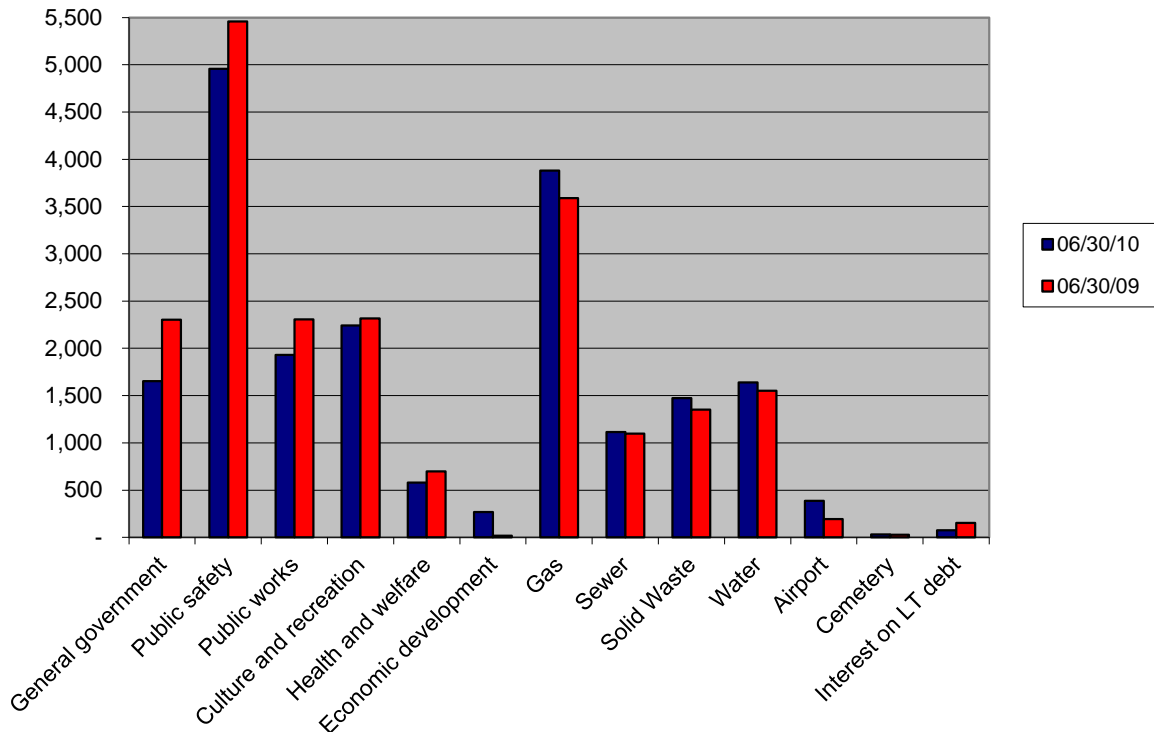


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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-Wide Financial Analysis (continued)



Comparison of Expenses - By Function
All Activities
(In Thousands)



STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Government-Wide Financial Analysis (continued)

The statement of activities from 2010 shows revenue decreases in both governmental activities and in business-type activities when compared to the 2009 fiscal year. Specifically, governmental activities program and general revenues decreased by \$2,558,288, and business-type activities program and general revenues decreased by \$2,071,414. The largest decrease in the governmental activities occurred within capital grants and contributions of \$1,641,046, a decrease of approximately forty-one percent from the previous year. The next largest decrease in the governmental activities occurred within operating grants and contributions of \$358,665, a decrease of approximately forty-five percent. With the economy and both state and federal government fiscal challenges, grant opportunities were shrinking rapidly. Gross receipts taxes also experienced a decrease of \$153,937 or two percent from the previous year. Local as well as state and national economic conditions are still having a negative impact on the City's tax base. There were other increases and decreases that resulted in the net decrease in governmental activity revenues of seventeen percent.

Capital grants and contributions also decreased significantly within the business-type activities program revenues. It decreased \$2,139,603 or forty-three percent. Other significant decreases included operating grants and contributions of \$132,954 or one-hundred percent and interest income of \$149,075 or seventy seven percent from the prior year. Here again it is evident that grant dollars from state and federal sources are shrinking in both the program and operating categories. Interest income fell because of falling interest rates and the payoff of the Solana Utility Extension Project debt which had required some interest earning reserves.

In the current year, governmental activities expenses totaled \$11,635,088. The previous year, governmental activities expenses were equal to \$13,102,850. The decrease in current year expenses amounted to \$1,467,762.

The largest decreases in governmental activities expenses occurred within general government, public safety, and public works. The decreases were \$651,175, \$499,688, and \$379,370 respectively. The decreases can be attributed to reductions in personnel costs and general operating expenses. Economic development increased \$251,934 due to initiatives to develop the Peru Mill Industrial area.

Expenses in business activities actually increased \$634,127 over the previous fiscal year. Gas, solid waste, and airport increased \$287,937, \$123,170, \$194,507 respectively. Gas increased because of the cost of acquiring gas supplies. Solid waste increased as a consequence of bringing both a new landfill and transfer station online. The airport increased because of FAA supported project activities during fiscal 2010.

For fiscal 2010, the City reflected an increase in governmental activities net assets of \$655,390 due to current year's operations. In the prior year, the increase was \$2,353,594. The business-type activity also reflects an increase in net assets of \$2,546,153 due to operations for the current fiscal year. In the previous year, the increase amounted to \$4,645,016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$8,509,106. Approximately seventy-six percent of this total or \$6,480,251 constitutes undesignated, unreserved fund balances, which are available for spending at the City's discretion. Of the remaining \$2,028,855 of fund balances, \$1,183,291 is reserved for subsequent year's spending, \$770,043 is a state mandated reserve, and inventory is \$ 75,521. Those balances are not available for new spending because they have been committed to next year's budget, and for various reserves. The general fund balance of \$6,329,927 represents seventy-four percent of the total governmental fund balances. As a result of operations, during the current fiscal year, the City's general fund increased its fund balance by \$296,955, while the street, non-major and co-op funds decreased their fund balances by \$397,552.

Governmental fund revenues totaled \$12,539,461 for the fiscal year, and expenditures were \$12,477,447. Revenues exceeded expenditures by \$62,014 prior to transfers in and out of the general fund. During the year, the governmental funds received \$1,766,086 from other City funds while it transferred out \$1,928,697. The net transfer in of \$162,611 decreased the excess revenues over expenditures resulting in a combined decrease in fund balances of \$100,597. It should be noted that the fund balances amount of \$9,536,003 for fiscal year ended June 30, 2009 were restated to \$8,609,703. That amount and the net income for the year, results in a fund balance of \$8,509,106 for the governmental funds.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. An analysis of the major proprietary funds is as follows:

As a result of operations, total net assets in the proprietary funds increased \$2,546,153. The major contributors to increase in net assets were the sewer, solid waste, and water funds. The increases for the year were \$719,061, \$857,871, and \$636,891 respectively. The increase in the sewer fund was derived mainly from the Solana Utility Extension Project. The increase in the solid waste can be attributed to capital expenditures to bring the new landfill and transfer station online. The water fund increased their net assets by \$636,891 during the year in large part from capital contributions of \$441,168. The gas fund increased their net assets through income of \$214,821.

Total revenues (both operating and non-operating) for 2009 were \$7,826,155 compared to 2010 revenues of \$8,103,201. Operating expenses for 2009 and 2010 were \$7,814,047 and \$8,524,077 respectively. Income before transfers 2009 was \$5,089,083 including grant funding of \$5,076,975. Income before transfers in 2010 was \$2,383,542 including grant funding of \$2,804,418. Grant funding is the major contributor in financing capital projects.

In 2009 the net transfer was a decrease of \$444,067 in fund balance. In 2010 the net transfer was a fund balance increase of \$162,611.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the City budgeted general fund revenues at \$9,279,322. The actual revenues for the fiscal year were \$8,869,006, and resulted in an unfavorable variance of \$410,316. Local effort taxes and state shared taxes were under budget by \$98,996 and \$91,787, respectively. Charges for services were under the budgeted amount by \$60,388 as were charges for services by \$141,578. These negative variances were primarily due to the ratcheting down of the economy.

Although revenues were less than expected, for the year ended June 30, 2010, the City anticipated that expenditures would not exceed revenues and budgeted net transfers. Actual expenditures of \$7,634,709 and net transfers out of only \$944,107 did not exceeded revenues of \$8,869,006, producing an excess and an increase in cash balance of \$290,190.

General government expenditures showed to be under budget by \$1,010,260. The largest portion of that was an under budget variance of \$488,276 in public safety. Lessor under budget items included general government, public works, and culture and recreation. They were under budget \$199,072, 109,081 and 140,513 respectively. These positive variances can be attributed to personnel related expenses and operating items. Revenues anticipated in the budget process and not realized were the root cause of the above variances as the City did not expend authorized appropriations. Positive variances in the other expenditure categories can be attributed to positions that went unfilled for a portion of the year; and partially from being intentionally under budget in operating expenses because of a weakening economy and the uncertainty of revenue streams.

During the fiscal year, management approached council twice to make adjustments to the budget. The first instance was for mid-year adjustments and the final instance was for fiscal year end purposes.

Capital Assets and Debt Administration

Capital Assets

Capital assets (net of accumulated depreciation) have been restated for June 30, 2009, and are now reported at \$68,535,400; \$37,740,825 as governmental activities capital assets and \$30,794,575 as business-type capital assets. The City's investment in capital assets (net of accumulated depreciation) as of June 30, 2010, amounts to \$70,153,552 with \$38,304,575 in governmental activities and \$31,848,977 in business activities. This investment in capital assets includes land, construction in progress, buildings, infrastructure, utility systems, and equipment.

Major capital asset events during the current fiscal year included the following:

- Governmental Activities – During the fiscal year, the City expended \$2,259,754 for capital assets. Ninety-six percent of the expenditures were for construction in progress, principally related to streets.

**STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

- Business-Type Activities – During the fiscal year, the City has increased business-type capital assets by \$2,035,920. The City increase in the land category from the previous year by forty percent, and sixty-four percent was for buildings. Land was affected by the completion of the landfill improvements and buildings were impacted by completion of the water storage facility.

Capital Assets - Net of Accumulated Depreciation
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/10	06/30/09	06/30/10	06/30/09	06/30/10	06/30/09
Land	\$ 6,089	\$ 6,218	\$ 8,452	\$ 6,025	\$ 14,541	\$ 12,243
Construction in progress	1,916	613	4,074	8,137	5,990	8,750
Buildings	7,873	7,273	4,510	1,728	12,383	9,001
Infrastructure	21,669	22,632	1,692	1,739	23,361	24,371
Utility system	-	-	11,736	12,182	11,736	12,182
Equipment	758	1,005	1,385	984	2,143	1,989
Total capital assets	<u>\$ 38,305</u>	<u>\$ 37,741</u>	<u>\$ 31,849</u>	<u>\$ 30,795</u>	<u>\$ 70,154</u>	<u>\$ 68,536</u>

Additional information on the City's assets can be found in note 9 on pages fifty through fifty-two of this report.

Long-Term Debt

At the end of the fiscal year ended June 30, 2010, the City had total debt outstanding of \$5,226,875 which consisted of notes, leases, compensated absences, and post-closure liability. At the end of the current year, the City had total debt outstanding of \$1,862,173, which also consists of notes, leases, compensated absences, and landfill post-closure liability.

The state of New Mexico Constitution provides for a legal limit of four percent (4.0%) of taxable valuation for general obligation bonds. The City's taxable value of property in 2009 was \$188,738,627. The City may currently issue up to \$7,549,545 in general obligation bonds. At the present time, the City does not have any general obligation bonds.

Long-Term Debt
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/10	06/30/09	06/30/10	06/30/09	06/30/10	06/30/09
Notes payable	\$ -	\$ 116	\$ 922	\$ 4,036	\$ 922	\$ 4,152
Leases payable	-	-	67	164	67	164
Landfill post closure	-	-	468	468	468	468
Compensated absences	272	305	134	138	406	443
Total long-term debt	<u>\$ 272</u>	<u>\$ 421</u>	<u>\$ 1,591</u>	<u>\$ 4,806</u>	<u>\$ 1,863</u>	<u>\$ 5,227</u>

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

Additional information on the City's long-term debt can be found in note ten on pages fifty-three through fifty-six of this report.

Currently Known Facts, Decisions, or Conditions

Gross receipts taxes are the single largest tax base for the City, and \$6,392,168 is reflected as revenue in fiscal 2010. The gross receipts taxes were down approximately 2.4% for fiscal year 2010 when compared to 2009, and down 6.9% from fiscal 2008 when \$6,922,950 was collected. During the first six months of fiscal 2011, gross receipt taxes appear to be keeping pace with the 2010 fiscal year to date. It appears that the local economy has bottomed out and is starting a very slow recovery. The state's fiscal crisis puts the City at risk of losing approximately 15% (about \$1,000,000) of its gross receipts tax base. Legislation is anticipated to be introduced that will repeal the hold harmless provision the local governments secured when the sales tax was exempted on food and medical. With the economy recovering slowly, and capital outlay money from the state in short supply, a legislative repeal of the hold harmless would have a significant detrimental effect on general government services and personnel.

The capital projects on Solana Road and the water storage tank ultimately will enhance the proprietary funds with additional revenues. The U.S. Army Corp of Engineers provided ARRA monies (Stimulus) and this provided the City the opportunity to repay the NMFA loan early. It was paid off during this fiscal year and reduced our outstanding debt position. The Water Storage Tank Project, which was a \$3,000,000 project, was completed in June 2009 and is part of our long-term debt that will be paid with revenues created by the current water rate structure and future planned water rate evaluations. The Solid Waste fund finished construction of the new landfill which was funded by state grant funds as well as Luna County and the City. The increase in future revenues and embedded rate increases will offset the added expense for transportation and additional fuel costs at the new landfill. The new equipment and buildings purchased at the new landfill will help to supplant the previous expenses for replacement costs going forward. Reserves will be created for the long-term replacement and additions of equipment as needed.

Also in 2009-2010, the engineering of the Spruce Street Project was concluded for which the nearly 80 year old surface, curbs and gutters would be replaced and made ADA compliant. The amount of this project was originally estimated at \$4,000,000. The project went to bid at the beginning of FY 2009-2010 and construction started in late 2009. Spruce Street was completed at the end of 2010. The Florida Drainage Project was also in the engineering phase during this same period and started construction in January of 2011. Engineering had been completed for the Pear Street Drainage CDBG Project and was out to bid shortly after the current fiscal year end. The cost was estimated at \$675,000. Another project that was in the planning stages before the end of FY 2009-2010, included a multi-purpose 'Sports Complex' in the Deming Industrial Park. Two state grants totaling \$500,000 for the complex had been awarded and a Water Trust Board Grant / Loan for \$330,000 are anticipated.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Request for Information

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Administrator/Treasurer, P.O. Box 1569, Deming, New Mexico 88030.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 5,907,034	\$ 6,631,271	\$ 12,538,305
Investments	585,333	214,528	799,861
Receivables, net of allowance for doubtful accounts:			
Accounts	263,873	801,750	1,065,623
Taxes	1,389,088	-	1,389,088
Intergovernmental	537,168	442,733	979,901
Interest	1,681	5,723	7,404
Note	500,000	-	500,000
Inventory	75,521	430,323	505,844
Restricted:			
Cash	-	516,029	516,029
Investments	-	93,973	93,973
Capital assets:			
Land and construction in progress	8,004,584	12,526,286	20,530,870
Other capital assets, net of depreciation	30,299,991	19,322,691	49,622,682
Total assets	<u>47,564,273</u>	<u>40,985,307</u>	<u>88,549,580</u>
LIABILITIES			
Accounts payable	408,094	176,926	585,020
Accrued salaries	230,984	65,214	296,198
Accrued interest payable	-	5,019	5,019
Court bond liability	2,327	-	2,327
Deposits payable	-	312,031	312,031
Long-term liabilities:			
Due within one year	190,280	212,320	402,600
Due in more than one year	81,547	1,378,026	1,459,573
Total liabilities	<u>913,232</u>	<u>2,149,536</u>	<u>3,062,768</u>
NET ASSETS			
Invested in capital assets, net of related debt	38,304,575	30,859,775	69,164,350
Restricted:			
Debt service	-	93,973	93,973
Unrestricted	8,346,466	7,882,023	16,228,489
Total net assets	<u>\$ 46,651,041</u>	<u>\$ 38,835,771</u>	<u>\$ 85,486,812</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,652,791	\$ 271,824	\$ 8,570	\$ 50,000	\$ (1,322,397)		\$ (1,322,397)
Public safety	4,957,808	921,587	234,206	50,566	(3,751,449)		(3,751,449)
Public works	1,928,687	41,848	-	1,829,745	(57,094)		(57,094)
Culture and recreation	2,243,503	134,321	61,396	274,151	(1,773,635)		(1,773,635)
Health and welfare	580,538	-	137,963	142,000	(300,575)		(300,575)
Economic development	267,913	-	-	-	(267,913)		(267,913)
Interest on long-term debt	3,848	-	-	-	(3,848)		(3,848)
Total governmental activities	11,635,088	1,369,580	442,135	2,346,462	(7,476,911)		(7,476,911)
Business-type activities:							
Gas	3,879,123	4,025,221	-	-		\$ 146,098	146,098
Sewer	1,116,377	892,192	-	960,086		735,901	735,901
Solid waste	1,474,588	1,152,631	-	1,161,191		839,234	839,234
Water	1,638,219	1,799,173	-	441,168		602,122	602,122
Airport	386,105	62,244	-	241,973		(81,888)	(81,888)
Cemetery	29,665	63,158	-	-		33,493	33,493
Interest on long-term debt	71,995	-	-	-		(71,995)	(71,995)
Total business-type activities	8,596,072	7,994,619	-	2,804,418	-	2,202,965	2,202,965
Total primary government	\$ 20,231,160	\$ 9,364,199	\$ 442,135	\$ 5,150,880	(7,476,911)	2,202,965	(5,273,946)
General Revenues:							
Gross receipts taxes					6,392,168	-	6,392,168
Property taxes, levied for general purposes					543,517	-	543,517
Lodger's taxes					358,465	-	358,465
Franchise taxes					312,684	-	312,684
Gasoline and motor vehicle taxes					633,244	-	633,244
Cigarette taxes					28,213	-	28,213
Interest income					117,023	43,163	160,186
Unrealized gain on investments					27,544	31,342	58,886
Gain on investments					-	2,118	2,118
Miscellaneous					-	85,467	85,467
Gain (loss) on disposal of assets					(116,946)	18,487	(98,459)
Total general revenues					8,295,912	180,577	8,476,489
Transfers, net					(162,611)	162,611	-
Change in net assets					656,390	2,546,153	3,202,543
Net assets, beginning of year					44,941,616	31,458,103	76,399,719
Restatements					1,053,035	4,831,515	5,884,550
Net assets, beginning of year restated					45,994,651	36,289,618	82,284,269
Net assets, end of year					\$ 46,651,041	\$ 38,835,771	\$ 85,486,812

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF DEMING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Street Fund	Co-Op Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash	\$ 4,571,052	\$ 184,855	\$ -	\$ 1,151,127	\$ 5,907,034
Investments	486,655	-	-	98,678	585,333
Receivables, net of allowance for doubtful accounts:					
Accounts	260,423	-	-	3,450	263,873
Taxes	1,276,211	85,964	-	26,913	1,389,088
Intergovernmental	23,925	437,225	-	76,018	537,168
Note	-	-	-	500,000	500,000
Interest	1,056	-	-	625	1,681
Inventory	75,521	-	-	-	75,521
Total assets	<u>\$ 6,694,843</u>	<u>\$ 708,044</u>	<u>\$ -</u>	<u>\$ 1,856,811</u>	<u>\$ 9,259,698</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 67,428	\$ 194,548	\$ -	\$ 146,118	\$ 408,094
Accrued salaries	185,974	14,107	-	30,903	230,984
Court bond liability	2,327	-	-	-	2,327
Deferred revenues	109,187	-	-	-	109,187
Total liabilities	364,916	208,655	-	177,021	750,592
Fund Balances:					
Reserved:					
Inventory	75,521	-	-	-	75,521
State mandated reserve	770,043	-	-	-	770,043
Subsequent year's expenditures	451,659	149,007	-	-	600,666
Subsequent year's expenditures reported in nonmajor:					
Special revenue funds	-	-	-	553,226	553,226
Capital project funds	-	-	-	29,399	29,399
Unreserved	5,032,704	350,382	-	-	5,383,086
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	1,097,065	1,097,065
Capital projects funds	-	-	-	100	100
Total fund balances	<u>6,329,927</u>	<u>499,389</u>	<u>-</u>	<u>1,679,790</u>	<u>8,509,106</u>
Total liabilities and fund balances	<u>\$ 6,694,843</u>	<u>\$ 708,044</u>	<u>\$ -</u>	<u>\$ 1,856,811</u>	<u>\$ 9,259,698</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance governmental funds (page twenty)	\$	8,509,106
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		38,304,575
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		109,187
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore are not reported in the funds.		<u>(271,827)</u>
Net assets of governmental activities (page eighteen)	\$	<u><u>46,651,041</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Street Fund	Co-Op Fund	Non-Major Funds	Total Governmental Funds
Revenues:					
Local effort taxes	\$ 4,181,409	\$ -	\$ -	\$ 358,465	\$ 4,539,874
State shared taxes	3,261,223	414,118	-	9,427	3,684,768
Intergovernmental	94,979	449,225	1,380,520	824,659	2,749,383
Charges for services	784,913	1,770	-	181,332	968,015
Licenses and permits	57,281	-	-	-	57,281
Fines and forfeitures	185,249	-	-	13,307	198,556
Interest	77,004	418	546	39,055	117,023
Miscellaneous	119,735	40,078	-	64,748	224,561
Total revenues	8,761,793	905,609	1,381,066	1,490,993	12,539,461
Expenditures:					
Current:					
General government	1,432,366	-	-	73,160	1,505,526
Public safety	4,748,476	-	-	74,414	4,822,890
Public works	553,073	334,837	69,241	-	957,151
Culture and recreation	445,741	-	-	1,557,078	2,002,819
Health and welfare	229,873	-	-	317,364	547,237
Economic development	-	-	-	261,957	261,957
Capital outlay	111,202	159,774	1,423,258	565,520	2,259,754
Debt service:					
Principal	-	-	-	115,936	115,936
Interest	-	-	-	4,177	4,177
Total expenditures	7,520,731	494,611	1,492,499	2,969,606	12,477,447
Excess (deficiency) of revenues over expenditures	1,241,062	410,998	(111,433)	(1,478,613)	62,014
Other Financing Sources (Uses):					
Transfers in	364,482	12,713	-	1,388,891	1,766,086
Transfers (out)	(1,308,589)	-	(159,522)	(460,586)	(1,928,697)
Total other financing sources (uses)	(944,107)	12,713	(159,522)	928,305	(162,611)
Net change in fund balances	296,955	423,711	(270,955)	(550,308)	(100,597)
Fund balance, beginning of year	6,030,464	75,678	270,955	3,158,906	9,536,003
Restatements	2,508	-	-	(928,808)	(926,300)
Fund balance, beginning of year restated	6,032,972	75,678	270,955	2,230,098	8,609,703
Fund balance, end of year	\$ 6,329,927	\$ 499,389	\$ -	\$ 1,679,790	\$ 8,509,106

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances total governmental funds (page twenty-two)	\$ (100,597)
Governmental funds report capital outlay as expenditures in the amount of \$2,259,754, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$1,566,983. The net adjustment is \$692,771.	692,771
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The disposal of capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(129,021)
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current periods expenditures, and therefore, are reported as deferred revenue in the funds. At June 30, 2009 deferred property taxes amounted to \$65,538. While the deferred property taxes for the current fiscal year amounted to \$109,187, therefore, the net adjustment for the current fiscal year is \$43,649.	43,649
Accrued interest expense not due within thirty days after year end is not considered in the current period and is not reported in the governmental funds. The decrease of the accrued interest liability from the previous year reduces the interest expense within the statement of activities.	329
The repayment of principal of long-term consumes the current financial resources of governmental funds, however, is not recorded as an expense within the statement of activities.	115,936
Decrease in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not use a current financial resource and is not recorded in the governmental funds statement.	<u>33,323</u>
Net change in governmental activities net assets - government-wide financial statements (page nineteen)	<u><u>\$ 656,390</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 4,182,002	\$ 4,283,141	\$ 4,184,145	\$ (98,996)
State shared taxes	3,380,000	3,369,672	3,277,885	(91,787)
Intergovernmental	728,000	151,145	90,757	(60,388)
Charges for services	888,250	988,302	846,724	(141,578)
Licenses and permits	43,300	57,625	57,281	(344)
Fines and forfeitures	208,000	195,979	192,606	(3,373)
Interest	50,000	80,242	128,479	48,237
Miscellaneous	40,600	153,216	91,129	(62,087)
Total revenues	9,520,152	9,279,322	8,869,006	(410,316)
Expenditures:				
Current:				
General government	1,618,343	1,716,189	1,517,117	199,072
Public safety	5,799,542	5,268,747	4,780,471	488,276
Public works	641,086	687,136	578,055	109,081
Culture and recreation	582,913	584,163	443,650	140,513
Health and welfare	269,601	248,601	204,214	44,387
Capital outlay	190,000	140,133	111,202	28,931
Total expenditures	9,101,485	8,644,969	7,634,709	1,010,260
Excess (deficiency) of revenues over expenditures	418,667	634,353	1,234,297	599,944
Other Financing Sources (Uses):				
Transfers in	572,519	774,882	364,482	(410,400)
Transfers (out)	(1,112,744)	(1,271,781)	(1,308,589)	(36,808)
Total other financing sources (uses)	(540,225)	(496,899)	(944,107)	(447,208)
Net change in cash balance	(121,558)	137,454	290,190	152,736
Cash balance, beginning of year	4,289,362	4,289,362	4,289,362	-
Restatement	-	-	2,508	2,508
Restated cash balance, beginning of year	4,289,362	4,289,362	4,291,870	2,508
Investments converted to cash	-	-	1,020	1,020
Net change in municipal court cash	-	-	(12,028)	(12,028)
Cash balance, end of year	\$ 4,167,804	\$ 4,426,816	\$ 4,571,052	\$ 144,236

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 420,000	\$ 403,763	\$ 395,193	\$ (8,570)
Intergovernmental	-	12,000	12,000	-
Charges for services	-	1,775	1,770	(5)
Interest	51	-	418	418
Miscellaneous	-	-	40,078	40,078
Total revenues	420,051	417,538	449,459	31,921
Expenditures:				
Current:				
Public works	420,051	430,251	331,568	98,683
Excess (deficiency) of revenues over expenditures	-	(12,713)	117,891	130,604
Other Financing Sources (Uses):				
Transfer In	-	12,713	12,713	-
Net change in cash balance	-	-	130,604	130,604
Cash balance, beginning of year	54,251	54,251	54,251	-
Cash balance, end of year	<u>\$ 54,251</u>	<u>\$ 54,251</u>	<u>\$ 184,855</u>	<u>\$ 130,604</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			
	Gas Fund	Sewer Fund	Solid Waste Fund	Water Fund
Assets:				
Current assets:				
Cash	\$ 2,569,254	\$ 989,621	\$ 1,324,711	\$ 1,495,216
Investments	203,119	6,509	2,935	1,965
Receivables (net of allowance):				
Accounts	198,204	105,969	157,445	329,745
Intergovernmental	-	276,574	-	141,010
Interest	5,167	234	17	238
Inventory	93,315	33,075	-	303,933
Non-Current assets:				
Restricted assets:				
Cash	516,029	-	-	-
Investments	-	-	-	93,973
Capital assets:				
Land	4,500	334,307	2,319,847	3,881,023
Construction in progress	59,099	1,091,030	-	952,782
Buildings	58,358	344,371	875,292	3,073,155
Utility system and facilities	5,373,340	10,489,941	-	5,130,998
Airport infrastructure	-	-	-	-
Equipment	816,976	494,976	2,503,556	1,267,208
Less accumulated depreciation	<u>(3,259,300)</u>	<u>(5,137,263)</u>	<u>(1,688,903)</u>	<u>(3,345,664)</u>
Total capital assets, net	<u>3,052,973</u>	<u>7,617,362</u>	<u>4,009,792</u>	<u>10,959,502</u>
Total assets	6,638,061	9,029,344	5,494,900	13,325,582
Liabilities:				
Current liabilities:				
Accounts payable	41,912	27,592	25,632	61,755
Accrued salaries	15,059	11,801	22,741	15,613
Accrued interest payable	-	-	-	5,019
Customer deposits	312,031	-	-	-
Current maturities of:				
Notes payable	-	-	-	41,968
Leases payable	-	36,306	-	31,040
Compensated absences	<u>24,905</u>	<u>23,281</u>	<u>29,650</u>	<u>25,170</u>
Total current liabilities	393,907	98,980	78,023	180,565
Non-Current liabilities:				
Notes payable	-	-	-	879,888
Compensated absences	6,619	416	17,739	5,831
Landfill closure and post-closure	<u>-</u>	<u>-</u>	<u>467,533</u>	<u>-</u>
Total non-current liabilities	<u>6,619</u>	<u>416</u>	<u>485,272</u>	<u>885,719</u>
Total liabilities	400,526	99,396	563,295	1,066,284
Net assets:				
Invested in capital assets, net of related debt	3,052,973	7,581,056	4,009,792	10,006,606
Restricted:				
Debt service	-	-	-	93,973
Unrestricted	<u>3,184,562</u>	<u>1,348,892</u>	<u>921,813</u>	<u>2,158,719</u>
Total net assets	<u>\$ 6,237,535</u>	<u>\$ 8,929,948</u>	<u>\$ 4,931,605</u>	<u>\$ 12,259,298</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	Airport Fund	Non-Major Fund	Total
Assets:			
Current assets:			
Cash	\$ 156,985	\$ 95,484	\$ 6,631,271
Investments	-	-	214,528
Receivables (net of allowance):			
Accounts	1,492	8,895	801,750
Intergovernmental	25,149	-	442,733
Interest	8	59	5,723
Inventory	-	-	430,323
Noncurrent assets:			
Restricted assets:			
Cash	-	-	516,029
Investments	-	-	93,973
Capital assets:			
Land	1,662,993	249,500	8,452,170
Construction in progress	1,957,744	13,461	4,074,116
Buildings	2,987,499	43,860	7,382,535
Utility system and facilities	-	-	20,994,279
Airport infrastructure	1,901,539	-	1,901,539
Equipment	70,976	109,491	5,263,183
Less accumulated depreciation	(2,635,985)	(151,730)	(16,218,845)
Total capital assets, net	<u>5,944,766</u>	<u>264,582</u>	<u>31,848,977</u>
Total assets	6,128,400	369,020	40,985,307
Liabilities:			
Current liabilities:			
Accounts payable	17,787	2,248	176,926
Accrued salaries	-	-	65,214
Accrued interest payable	-	-	5,019
Customer deposits	-	-	312,031
Current maturities of:			
Notes payable	-	-	41,968
Leases payable	-	-	67,346
Compensated absences	-	-	103,006
Total current liabilities	17,787	2,248	771,510
Non-Current liabilities:			
Notes payable	-	-	879,888
Compensated absences	-	-	30,605
Landfill closure and post-closure	-	-	467,533
Total non-current liabilities	-	-	1,378,026
Total liabilities	17,787	2,248	2,149,536
Net assets:			
Invested in capital assets, net of related debt	5,944,766	264,582	30,859,775
Restricted:			
Debt service	-	-	93,973
Unrestricted	165,847	102,190	7,882,023
Total net assets	<u>\$ 6,110,613</u>	<u>\$ 366,772</u>	<u>\$ 38,835,771</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			
	Gas Fund	Sewer Fund	Solid Waste Fund	Water Fund
Operating Revenues:				
Charges for services	\$ 4,025,221	\$ 892,192	\$ 1,152,631	\$ 1,799,173
Operating Expenses:				
Personnel services	937,214	514,312	779,048	816,065
General operating	2,785,847	338,336	538,222	558,844
Depreciation	156,062	263,729	157,318	263,310
Total operating expenses	<u>3,879,123</u>	<u>1,116,377</u>	<u>1,474,588</u>	<u>1,638,219</u>
Operating income (loss)	146,098	(224,185)	(321,957)	160,954
Non-Operating Revenues (Expenses):				
Interest income	29,967	1,058	5,522	5,268
Unrealized gain on investments	15,157	2,839	3,055	10,291
Gain on investments	80	773	121	74
Miscellaneous	23,519	19,985	9,939	31,149
Interest expense	-	(37,201)	-	(34,794)
Disposal of assets	-	18,487	-	-
Total non-operating revenues (expenses)	<u>68,723</u>	<u>5,941</u>	<u>18,637</u>	<u>11,988</u>
Income (loss) before capital contributions and transfers	214,821	(218,244)	(303,320)	172,942
Capital Contributions and Transfers:				
Capital contributions	-	960,086	1,161,191	441,168
Transfers in	-	-	-	22,781
Transfers (out)	-	(22,781)	-	-
Total transfers	<u>-</u>	<u>937,305</u>	<u>1,161,191</u>	<u>463,949</u>
Change in net assets	214,821	719,061	857,871	636,891
Net assets, beginning of year	6,268,339	7,534,186	733,679	11,994,497
Restatements	<u>(245,625)</u>	<u>676,701</u>	<u>3,340,055</u>	<u>(372,090)</u>
Net assets, beginning of year restated	<u>6,022,714</u>	<u>8,210,887</u>	<u>4,073,734</u>	<u>11,622,407</u>
Net assets, end of year	<u>\$ 6,237,535</u>	<u>\$ 8,929,948</u>	<u>\$ 4,931,605</u>	<u>\$ 12,259,298</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Airport Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 62,244	\$ 63,158	\$ 7,994,619
Operating Expenses:			
Personnel services	79,751	-	3,126,390
General operating	235,649	28,771	4,485,669
Depreciation	70,705	894	912,018
Total operating expenses	<u>386,105</u>	<u>29,665</u>	<u>8,524,077</u>
Operating income (loss)	(323,861)	33,493	(529,458)
Non-Operating Revenues (Expenses):			
Interest income	568	780	43,163
Unrealized gain on investments	-	-	31,342
Gain on investments	776	294	2,118
Miscellaneous	685	190	85,467
Interest expense	-	-	(71,995)
Disposal of assets	-	-	18,487
Total non-operating revenues (expenses)	<u>2,029</u>	<u>1,264</u>	<u>108,582</u>
Income (loss) before capital contributions and transfers	(321,832)	34,757	(420,876)
Capital Contributions and Transfers:			
Capital contributions	241,973	-	2,804,418
Transfers in	162,611	-	185,392
Transfers (out)	-	-	(22,781)
Total transfers	<u>404,584</u>	<u>-</u>	<u>2,967,029</u>
Change in net assets	82,752	34,757	2,546,153
Net assets, beginning of year	4,608,484	318,918	31,458,103
Restatements	1,419,377	13,097	4,831,515
Net assets, beginning of year restated	<u>6,027,861</u>	<u>332,015</u>	<u>36,289,618</u>
Net assets, end of year	<u>\$ 6,110,613</u>	<u>\$ 366,772</u>	<u>\$ 38,835,771</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Funds			
	Gas Fund	Sewer Fund	Solid Waste Fund	Water Fund
Cash Flows From Operating Activities:				
Cash received from customers	\$ 4,029,647	\$ 861,908	\$ 1,143,479	\$ 1,723,529
Cash payments to suppliers from goods and services	(2,711,210)	(328,052)	(532,566)	(487,925)
Cash payments to employees for services	(967,701)	(507,540)	(763,565)	(820,130)
Net cash provided (used) by operating activities	350,736	26,316	(152,652)	415,474
Cash Flows for Non-Capital and Financing Activities:				
Cash received from capital contributions	-	723,305	1,259,191	510,613
Cash received from miscellaneous sources	49,084	19,985	9,939	31,149
Net change in customer deposits	7,671	-	-	(117,216)
Net transfers in (out)	-	(22,781)	-	22,781
Net cash provided (used) by non-capital and related financing activities	56,755	720,509	1,269,130	447,327
Cash Flows for Capital and Financing Activities:				
Acquisition of capital assets	(230)	(575,197)	(1,030,723)	(416,497)
Proceeds from the sale of assets	-	18,487	-	-
Principal payments on capital debt	-	(510,377)	-	(351,876)
Interest on capital debt	-	(37,201)	-	(34,794)
Net cash provided (used) by capital and related financing activities	(230)	(1,104,288)	(1,030,723)	(803,167)
Cash Flows From Investing Activities:				
Interest income	44,337	5,058	8,674	15,857
Return of principal from investments	33,236	773	218	3,586
Purchase of time deposits	(112,268)	(235)	(1,009)	(561)
Net cash provided (used) by investing activities	(34,695)	5,596	7,883	18,882
Net increase (decrease) in cash	372,566	(351,867)	93,638	78,516
Cash and cash equivalents, beginning of year	2,158,088	1,087,437	513,043	1,344,232
Restatement	18,862	203,816	716,792	13,573
Cash and cash equivalents, beginning of year	2,176,950	1,291,253	1,229,835	1,357,805
Cash and cash equivalents, end of year	\$ 2,549,516	\$ 939,386	\$ 1,323,473	\$ 1,436,321
Displayed as:				
Cash	\$ 2,569,254	\$ 989,621	\$ 1,324,711	\$ 1,495,216
Restricted cash	516,029	-	-	-
Time deposits not considered cash equivalents	(535,767)	(50,235)	(1,238)	(58,895)
	2,549,516	939,386	1,323,473	1,436,321
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 146,098	\$ (224,185)	\$ (321,957)	\$ 160,954
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	156,062	263,729	157,318	263,310
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	4,426	(30,284)	(9,152)	(75,644)
(Increase) decrease in inventories	43,282	1,290	-	46,539
Increase (decrease) in accounts payable	31,355	8,994	5,656	24,380
Increase (decrease) in accrued salaries	(13,180)	(2,469)	3,605	(6,047)
Increase (decrease) in compensated absences	(17,307)	9,241	11,878	1,982
Total adjustments	204,638	250,501	169,305	254,520
Net cash provided (used) by operating activities	\$ 350,736	\$ 26,316	\$ (152,652)	\$ 415,474

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-Type Activities		Enterprise Funds
	Airport Fund	Non-Major Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 60,752	\$ 65,868	\$ 7,885,183
Cash payments to suppliers for goods and services	(230,270)	(27,249)	(4,317,272)
Cash payments to employees for services	(91,694)	-	(3,150,630)
Net cash provided (used) by operating activities	(261,212)	38,619	417,281
Cash Flows for Non-Capital and Financing Activities:			
Cash received from capital contributions	216,824	-	2,709,933
Cash received from miscellaneous sources	685	190	111,032
Net change in customer deposits	-	-	(109,545)
Net transfers in (out)	162,611	-	162,611
Net cash provided (used) by non-capital and related financing activities	380,120	190	2,874,031
Cash Flows for Capital and Financing Activities:			
Acquisition of capital assets	(104,508)	(69,500)	(2,196,655)
Proceeds from the sale of assets	69,500	-	87,987
Principal payments on capital debt	-	-	(862,253)
Interest on capital debt	-	-	(71,995)
Net cash provided (used) by capital and related financing activities	(35,008)	(69,500)	(3,042,916)
Cash Flows From Investing Activities:			
Interest income	1,336	1,015	76,277
Return of principal	848	6,575	45,236
Purchase of time deposits	(33)	(252)	(114,358)
Net cash provided (used) by investing activities	2,151	7,338	7,155
Net increase (decrease) in cash	86,051	(23,353)	255,551
Cash and cash equivalents, beginning of year	67,861	102,695	5,273,356
Restatement	1,040	390	954,473
Cash and cash equivalents, beginning of year	68,901	103,085	6,227,829
Cash and cash equivalents, end of year	\$ 154,952	\$ 79,732	\$ 6,483,380
Displayed as:			
Cash	\$ 156,985	\$ 95,484	\$ 6,631,271
Restricted cash	-	-	516,029
Time deposits not considered cash equivalents	(2,033)	(15,752)	(663,920)
	\$ 154,952	\$ 79,732	\$ 6,483,380
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (323,861)	\$ 33,493	\$ (529,458)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	70,705	894	912,018
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(1,492)	2,710	(109,436)
(Increase) decrease in inventories	-	-	91,111
Increase (decrease) in accounts payable	5,379	1,522	77,286
Increase (decrease) in accrued salaries	(9,722)	-	(27,813)
Increase (decrease) in compensated absences	(2,221)	-	3,573
Total adjustments	62,649	5,126	946,739
Net cash provided (used) by operating activities	\$ (261,212)	\$ 38,619	\$ 417,281

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Deming (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Deming, established on March 3, 1902, is a political subdivision of the state of New Mexico, operates under the Mayor-Council form of government. The City provides the following authorized services: public safety (police and fire), public works, water, sanitation, health and welfare, culture and recreation, public improvements, planning and zoning, and general administrative services. The City's basic financial statements include all activities and accounts of the City's *financial reporting entity*.

The financial reporting entity consists of the primary government, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Based on this criterion, there are no component units of the City during the fiscal year ended June 30, 2010.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The general fund, street special revenue fund, and the Co-op capital projects fund are the major governmental funds. The gas, sewer, solid waste, water and airport funds are the major enterprise funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed. Revenues are recognized, net of estimated refunds or estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues (liabilities) until the period of the exchange is completed.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Ad valorem, franchise, and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. The City recognizes assets, from derived tax revenue transactions, in the period when the exchange transaction on which the tax is imposed occurs, or when the resources are received, whichever transpires first. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Business-type activities, and all proprietary funds, are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The reporting focus for fiduciary funds is on net assets and changes in net assets, and are reported using the accounting principles similar to proprietary funds.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *street fund* accounts for the receipts and disbursements for City street improvements. Financing is provided from motor vehicle fees and state grants. The fund is authorized by Section 7-1-6.27, NMSA 1978.

The *Co-op capital project fund* was established to record revenues and expenditures for state grant funds received for road improvement projects approved by the state legislature. The fund is authorized by City Council.

The City maintains twenty-four other individual governmental funds that are considered nonmajor funds; sixteen are classified as special revenue funds, and eight are classified as capital projects funds. A description of each nonmajor governmental fund is as follows:

Special Revenue Funds

The *emergency medical services fund* accounts for the acquisition of emergency medical equipment financed through a grant from the state of New Mexico. The fund is authorized by Emergency Medical Fund Act, 24-10A-6, NMSA 1978.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Special Revenue Funds (continued)

The *fire fund* accounts for the operation and acquisition of assets for the Fire Department. This fund is financed through the state fire allotment. The fund is authorized by the Fire Protection Act, 59A-53-1, NMSA 1978.

The *law enforcement protection fund* accounts for receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force. The fund is authorized by Law Enforcement Protection Fund Act, 29-13-3, NMSA 1978.

The *library fund* accounts for the receipts and disbursements for operations of the City's public library. Financing is provided from state grants and private donations. The fund is authorized by 3-18-14, NMSA 1978.

The *lodger's tax fund* accounts for the operations of promotional activities of the City of Deming. Financing is provided primarily by specific tax levy on area motels and hotels. The fund is authorized by 14-37-16, NMSA 1969.

The *lodger's tax promotional fund* accounts for the disbursements for advertising, publicizing, and promoting such facilities of the City of Deming and tourist facilities within the City. The fund is authorized by 14-37-16, NMSA 1978.

The *recreation fund* accounts for the operations and maintenance of City owned recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services. The fund is authorized by 7-12-15 and 16, NMSA 1978.

The *economic development fund* accounts for the receipts and disbursements for City economic development projects. Financing is provided from state grants and transfers from the general fund. The fund is authorized by City Council.

The *special events center fund* accounts for the receipts and disbursements for operations of the City's community civic center. Financing is provided from user fees of the civic center. The fund is authorized by City Council.

The *community center fund* accounts for the receipts and disbursements for operations of the City's community youth center. Financing is provided from user fees of the community center. The fund is authorized by City Council.

The *boot camp fund* accounts for the receipts and disbursements for the establishment and operations of the City's juvenile boot camp. Financing is provided by user fees and private donations. The fund is authorized by City Council.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Special Revenue Funds (continued)

The *traffic safety fund* accounts for the receipts and disbursements for the purchase of equipment and other services for the City's police department. Financing is provided by fines assessed by the City's municipal court. The fund is authorized by City Council.

The *Mimbres Valley Authority fund* accounts for the receipts and disbursements for the establishment and operation of an enterprise community including economic, education and community development services, program and facilities as desirable and necessary to promote the public interest, general welfare, health and safety of the inhabitants of the City. Financing is provided by federal and state grants. The fund is authorized by City Council.

The *regional transportation fund* accounts for the receipts and disbursements of the Technical Advisory Committee to establish a plan and framework for future transportation needs within the City and surrounding area. Financing is provided by federal and state grants. The fund is authorized by City Council.

The *swimming pool fund* accounts for the receipts and disbursements for operations of the City's swimming pool. Financing is provided by user fees of the swimming pool and transfers from the general fund. The fund is authorized by City Council.

The *cemetery trust fund* accounts for the receipts and disbursements for the maintenance of the City's cemetery. Financing is provided by private donations. The fund is authorized by City Council.

Capital Projects Funds

The *CDBG 2008/2009 Option fund* accounts for various buildings and structure improvements for the Morgan Hall project. Financing is provided by federal grants. The fund is authorized by City council.

The *CDBG 2008/2009 Planning Grant fund* accounts for the receipts and disbursements for various planning improvements to areas such as comprehensive planning, street and drainage improvements and geographical information systems. Financings is provided by federal grants. The fund is authorized by City council.

The *CDBG 2008/2009 fund* accounts for the receipts and disbursements for various street improvement projects. Financing is provided by federal and state grants. The fund is authorized by City Council.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Capital Projects Funds (continued)

The *park acquisition fund* accounts for the receipts and disbursements for the acquisition of land for City parks. Financing is provided by fees received from real estate developers. The fund is authorized by City Council.

The *landfill fund* accounts for the receipts and disbursements for the construction of a new City landfill. Financing is provided by state grants and loans. The fund is authorized by City Council.

The *Voiers park fund* accounts for the receipts and disbursements for the construction and maintenance of Voiers Park. Financing is provided by state grants. The fund is authorized by City Council.

The *Peru Mills cleanup fund* accounts for the receipts and disbursements for the construction of a solid waste transfer station. Financing is provided by federal and state grants. The fund is authorized by City Council.

The *wastewater plant fund* accounts for the receipts and disbursements for future capital improvements within the City's utility system. Financing is provided by yearly compensation from Luna Energy Facility (PNM). The fund is authorized by City Council.

Enterprise Funds

The City reports the following major enterprise funds:

The *gas fund* accounts for the provision of gas services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The *sewer fund* accounts for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The *solid waste fund* accounts for the disposal of solid waste for the residents of the City.

The *water fund* accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Enterprise Funds (continued)

The *airport fund* accounts for the operations and maintenance of the airport. Financing is provided by fuel sales and fees for services. The fund is authorized by City Council.

The City maintains one other individual enterprise fund that is considered a non-major fund. A description of the non-major enterprise fund is as follows:

The *cemetery fund* accounts for the operation and maintenance of the City cemetery. Financing is provided through lot sales and fees for services. The fund is authorized by 14-41-1, NMSA 1978.

The City maintains two individual agency funds. A description of each fund is as follows:

The *local government corrections fund* accounts for monies held and disbursed on behalf of local law enforcement agencies.

The *United Industries fund* accounts for monies held from a settlement between the City and United Industries.

D. Budgets

Budgets for all funds are prepared by management and approved by the City Council and the New Mexico Department of Finance and Administration. The City Administrator is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the City Council for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September. These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is, therefore, presented as a reserved portion of fund balances. Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from DFA. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the City's cash and certificates of deposit are stated at cost, which approximates fair value. State statutes authorize the City to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investment pool. Cash and certificates of deposit are reported at book value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund balance. Long term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventory

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as an expense when consumed rather than when purchased.

4. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others."

5. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

6. Capital Assets

Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems, and similar items. Such assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's internal capitalization policy defines capital assets as assets with an initial individual cost of more than \$500, and an estimated useful life in excess of one year. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City to capitalize information technology (IT) equipment, including software, and include such items in the furniture, fixtures, and equipment category. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend asset's lives are not capitalized.

During the 2005 regular New Mexico legislative session, the Legislature enacted HB 1074 amending Section 12-6-10, NMSA 1978, and changing the capitalization threshold for movable chattel and equipment from costing more than \$1,000 to items costing more than \$5,000. The 2005 amendment became effective June 17, 2005. The City has elected to continue to capitalize acquisitions of property and equipment, under their internal capitalization policy, of all assets costing more than \$500. The City continues to capitalize certain assets with costs below the threshold because it deems the tracking of such assets to be important. All assets capitalized prior to July 1, 2005, which are property of the City; remain on the financial and accounting records of the City. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction is capitalized when material. The City did not incur an interest on construction projects during the current fiscal year and, as such, no interest was included as part of the cost of capital assets under construction.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and other improvements	10 - 50
Utility system	40
Public domain infrastructure	40-50
Machinery and equipment, including vehicles	5 - 10

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

7. Compensated Absences

City employees are entitled to certain compensated absences based on their employment classification and length of employment.

Vacation Pay – Each employee of the City may accumulate up to a total of two hundred forty hours of vacation per year. Employees can carry over a maximum of two hundred forty hours of vacation to the next fiscal year. The maximum amount of accumulated vacation is based on the number of years of service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if they have matured.

Sick Leave – Until December 31, 2009, each employee of the City had the ability to accumulate up to a total of one thousand hours of “old” sick leave that was vested and could be converted to cash upon retirement. As of January 1, 2010, City employees couldn’t accrue any additional “old” sick leave.

On January 1, 2010, the City implemented a “new” sick leave policy. Each employee of the City may accumulate unlimited hours of new sick leave. Even if the employee has qualified to retire under the state retirement program, the City will not pay the employee’s new sick leave on the last day of service to the City.

As per City policy, “old” sick leave is required to be used prior to new sick leave. If the employee has qualified to retire under the state retirement program, the employee may convert any unused old sick leave to annual leave and be paid for such at the regular rate of pay. Accordingly, the sick leave earned for certain employees is accrued on the government-wide and proprietary fund financial statements.

8. Deferred Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the City. Such advances are reported as deferred revenue until the earnings process is complete.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as a liability with the balance sheet.

9. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets – This category reflects net assets of the City, not restricted for any project or other purpose.

12. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Additionally, designations represent tentative managerial plans that are subject to change. Fund equity was reserved or designated for:

Reserved for debt service – Represents the amounts that are required to be used for future retirement of long-term debt.

Reserved for subsequent year's expenditures – Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

Unreserved – Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the City.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

13. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of bonds proceeds whereas issuance costs are recorded as expenditures.

14. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

15. Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH

Cash

New Mexico State statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

**STATE OF NEW MEXICO
CITY OF DEMING**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

2. CASH (continued)

Cash Deposited With Financial Institutions

The City maintains cash in three financial institutions within Deming, New Mexico, and one financial institution within Pleasant Ridge, Michigan. The City's deposits are carried at cost.

As of June 30, 2010, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$ -	\$ 3,700	\$ 3,700
1st New Mexico Bank	8,977,379	(415,713)	8,561,666
First Savings Bank	4,322,459	(33,361)	4,289,098
Multi-Bank Securities	195,875	-	195,875
Wells Fargo Bank	3,995	-	3,995
Total cash deposits	<u>\$ 13,499,708</u>	<u>\$ (445,374)</u>	<u>\$ 13,054,334</u>

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of Net Assets:	
Cash	\$ 12,538,305
Restricted cash	<u>516,029</u>
Total cash reported on financial statements	<u>\$ 13,054,334</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. All deposits are collateralized with eligible securities, as described by New Mexico State statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

2. CASH (continued)

Cash Deposited With Financial Institutions (continued)

	1st New Mexico Bank	First Savings Bank	Multi-Bank Securities	Wells Fargo Bank
Total deposits in bank	\$ 8,977,379	\$ 4,322,459	\$ 195,875	\$ 3,995
Less FDIC coverage	<u>(258,454)</u>	<u>(500,000)</u>	<u>-</u>	<u>(3,995)</u>
Uninsured public funds	8,718,925	3,822,459	195,875	-
Pledged collateral held by pledging bank's trust, but not in the City's name	<u>9,793,909</u>	<u>(4,220,832)</u>	<u>-</u>	<u>-</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,875</u>	<u>\$ -</u>
Total pledged collateral	\$ 9,793,909	\$ 4,220,832	\$ -	\$ -
50% pledged collateral requirement per state statute	<u>(4,359,463)</u>	<u>(1,911,230)</u>	<u>(97,938)</u>	<u>-</u>
Pledged collateral (under) over the requirement	<u>\$ 5,434,446</u>	<u>\$ 2,309,602</u>	<u>\$ (97,938)</u>	<u>\$ -</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$12,737,259 of the City's bank balance of \$13,499,708 was exposed to custodial credit risk as follows:

	1st New Mexico Bank	First Savings Bank	Multi-Bank Securities	Wells Fargo Bank	Total
Uninsured and collateral held by pledging banks' trust dept. or agent not in the City's name	<u>\$ 8,718,925</u>	<u>\$ 3,822,459</u>	<u>\$ 195,875</u>	<u>\$ -</u>	<u>\$ 12,737,259</u>

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

3. INVESTMENTS

The amounts and description of the investments at year end are described below:

Agency	Investment	Maturity	Fair Market Value
NM State Treasurer	Investment Pool	N/A	\$ 35,491
Bank of NY Mellon Tr Co.	Dreyfus Cash Mgmt	N/A	72,131
Multi-Bank Securities, Inc.	Various	N/A	751,336
Edward Jones	Various	N/A	34,876
			<u>\$ 893,834</u>

The amounts reported as investments for the government within the financial statements are displayed as:

Statement of Net Assets:	
Investments	\$ 799,861
Restricted investments for debt service	<u>93,973</u>
	<u>\$ 893,834</u>

Cash Deposited With The New Mexico State Treasurer

As of June 30, 2010, the combined balance of the City's investment within the short-term investment fund was \$35,491. The cost basis and the fair market basis of the deposit are equal to \$35,491 (amount of investment). The investments are valued at fair value based on quoted market prices as of the valuation date. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standards and Poor's. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The Local Government Investment Pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary.

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio's weighted average maturity is 50-day WAM.

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

3. INVESTMENTS (continued)

Bank of New York Mellon Trust Company

As part of note agreements and covenants, the City has cash invested at the Bank of New York Mellon Trust Company. The trust department has invested the funds within the Dreyfus Cash Management Institutional shares fund. The fund invests in a diversified portfolio of high quality, short-term debt securities, including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities.

The investments are valued at fair value based on quoted market prices as of the valuation date. The fund is rated AAA_m by Standards and Pools.

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment’s fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio’s weighted average maturity (WAM) is a key determinant of the tolerance of a fund’s investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio’s weighted average maturity is 32-day WAM.

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Other Investments

The City has idle cash invested, in the amount of \$751,336 at Multi-Bank Securities, Inc., Pleasant Ridge, Michigan. The fund is composed of two Federal National Mortgage Association securities totaling \$401,546, and four Federal Home Loan Bank security totaling \$349,790. The fund is not subject to categorization.

The City had idle cash invested, in the amount of \$34,876 at Edward Jones, Deming, New Mexico. The fund is composed of five Ginnie Mae mortgage backed securities totaling \$34,876. The fund is not subject to categorization.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 consisted of the following:

	Governmental Activities	Business-Type Activities
Charges for services	\$ 1,566,084	\$ 1,082,462
Allowance for doubtful accounts	(1,302,211)	(280,712)
	\$ 263,873	\$ 801,750

The City’s policy is to provide for uncollectible accounts based upon expected defaults.

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

5. TAXES RECEIVABLE

Amounts due from local effort and state shared taxes at June 30, 2010, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 125,760	\$ -
Local effort sales taxes	634,565	-
State shared taxes	628,763	-
Net taxes receivable	<u>\$ 1,389,088</u>	<u>\$ -</u>

6. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments at June 30, 2010, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Federal grants	\$ 463,977	\$ 441,973
State grants	73,191	760
Total	<u>\$ 537,168</u>	<u>\$ 442,733</u>

7. NOTE RECEIVABLE

On August 28, 2008, the City approved Ordinance No. 1177, a Local Economic Development Project for Secured Financial Assistance (loan) with Proper Foods, Inc., in the amount of \$500,000. The note matures on June 30, 2021, and accrues interest at 3% per annum. The loan was approved by the City to provide a bridge of financial assistance to hold a major employer in the community that will continue to provide significant jobs.

The annual requirements to amortize the note receivable outstanding as of June 30, 2010, including interest payments, are as follows:

Due in year ended June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 15,000	\$ 15,000
2012	50,000	15,000	65,000
2013	50,000	13,500	63,500
2014	50,000	12,000	62,000
2015	50,000	10,500	60,500
2016-2020	250,000	30,000	280,000
2021	50,000	1,500	51,500
	<u>\$ 500,000</u>	<u>\$ 97,500</u>	<u>\$ 597,500</u>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

8. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Luna County Assessor to develop the property tax schedule by October 1st. The Luna County Treasurer sends tax notices to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2009, was \$2.975 per \$1,000 for non-residential and \$2.636 for residential property. In the year 2009, there was no tax rate established for payment of bonds principal and interest.

9. CAPITAL ASSETS

During the fiscal year, the City performed an intensive inventory and review of its capital assets and the subsidiary records. The City discovered errors in the amounts reported at June 30, 2009 within the governmental and business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/09	Corrections	Restated Balance 06/30/09
Governmental Capital Assets:			
Land	\$ 6,236,637	\$ (18,693)	\$ 6,217,944
Construction in progress	5,539,453	(4,926,078)	613,375
Buildings	10,422,151	(100,268)	10,321,883
Infrastructure	44,846,135	2,748,458	47,594,593
Equipment	8,139,981	(306,913)	7,833,068
Accumulated depreciation:			
Buildings	(8,042,940)	4,994,348	(3,048,592)
Infrastructure	(24,854,451)	(108,651)	(24,963,102)
Equipment	(6,525,476)	(302,868)	(6,828,344)
Net governmental capital assets	<u>\$ 35,761,490</u>	<u>\$ 1,979,335</u>	<u>\$ 37,740,825</u>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

9. CAPITAL ASSETS (continued)

	Balance 06/30/09	Corrections	Restated Balance 06/30/09
	<u> </u>	<u> </u>	<u> </u>
Business-Type Capital Assets:			
Land	\$ 5,992,647	\$ 31,849	\$ 6,024,496
Construction in progress	6,137,098	2,000,246	8,137,344
Buildings	5,250,284	(749,017)	4,501,267
Utility system	20,942,559	51,720	20,994,279
Airport infrastructure	879,856	1,021,683	1,901,539
Equipment	4,244,232	302,287	4,546,519
Accumulated depreciation:			
Buildings	(4,432,718)	1,659,047	(2,773,671)
Utility system	(8,827,759)	16,007	(8,811,752)
Airport infrastructure	(120,466)	(42,189)	(162,655)
Equipment	(3,280,513)	(282,278)	(3,562,791)
	<u> </u>	<u> </u>	<u> </u>
Net business-type capital assets	<u>\$ 26,785,220</u>	<u>\$ 4,009,355</u>	<u>\$ 30,794,575</u>

Capital assets for the fiscal year ended June 30, 2010, are as follows:

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,217,944	\$ -	\$ (129,021)	\$ 6,088,923
Construction in progress	613,375	2,159,497	(857,211)	1,915,661
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets, not being depreciated	6,831,319	2,159,497	(986,232)	8,004,584
Other capital assets, being depreciated:				
Buildings	10,321,883	857,211	-	11,179,094
Infrastructure	47,594,593	-	-	47,594,593
Equipment	7,833,068	100,257	(196,758)	7,736,567
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other capital assets, being depreciated	65,749,544	957,468	(196,758)	66,510,254
Less accumulated depreciation:				
Buildings	(3,048,592)	(256,908)	-	(3,305,500)
Infrastructure	(24,963,102)	(962,442)	-	(25,925,544)
Equipment	(6,828,344)	(347,633)	196,758	(6,979,219)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	(34,840,038)	(1,566,983)	196,758	(36,210,263)
Other capital assets, net	<u>30,909,506</u>	<u>(609,515)</u>	<u>-</u>	<u>30,299,991</u>
Total capital assets, net	<u>\$ 37,740,825</u>	<u>\$ 1,549,982</u>	<u>\$ (986,232)</u>	<u>\$ 38,304,575</u>

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

9. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions (programs) as follows:

General government	\$ 105,984
Public safety	192,722
Public works	985,980
Culture and recreation	240,946
Health and welfare	39,020
Economic development	2,331
	<u>\$ 1,566,983</u>

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,024,496	\$ 2,497,174	\$ (69,500)	\$ 8,452,170
Construction in progress	8,137,344	791,099	(4,854,327)	4,074,116
Total capital assets, not being depreciated	14,161,840	3,288,273	(4,923,827)	12,526,286
Other capital assets, being depreciated:				
Buildings	4,501,267	2,881,268	-	7,382,535
Utility system	20,994,279	-	-	20,994,279
Airport infrastructure	1,901,539	-	-	1,901,539
Equipment	4,546,519	720,706	(4,042)	5,263,183
Total other capital assets, being depreciated	31,943,604	3,601,974	(4,042)	35,541,536
Less accumulated depreciation for:				
Buildings	(2,773,671)	(99,272)	-	(2,872,943)
Utility system	(8,811,752)	(446,752)	-	(9,258,504)
Airport infrastructure	(162,655)	(46,970)	-	(209,625)
Equipment	(3,562,791)	(319,024)	4,042	(3,877,773)
Total accumulated depreciation	(15,310,869)	(912,018)	4,042	(16,218,845)
Other capital assets, net	16,632,735	2,689,956	-	19,322,691
Total capital assets, net	<u>\$ 30,794,575</u>	<u>\$ 5,978,229</u>	<u>\$ (4,923,827)</u>	<u>\$ 31,848,977</u>

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

10. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2010, were as follows:

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Amounts Due Within One Year
Governmental Activities:					
Notes payable	\$ 115,936	\$ -	\$ 115,936	\$ -	\$ -
Compensated absences	305,150	388,296	421,619	271,827	190,280
	<u>\$ 421,086</u>	<u>\$ 388,296</u>	<u>\$ 537,555</u>	<u>\$ 271,827</u>	<u>\$ 190,280</u>

Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2010, were as follows:

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Amounts Due Within One Year
Business-Type Activities:					
Notes payable	\$ 4,036,267	\$ -	\$ (3,114,411)	\$ 921,856	\$ 41,968
Leases payable	164,477	-	(97,131)	67,346	67,346
Landfill closure	467,533	-	-	467,533	-
Compensated absences	137,512	145,633	(149,534)	133,611	103,006
	<u>\$ 4,805,789</u>	<u>\$ 145,633</u>	<u>\$ (3,361,076)</u>	<u>\$ 1,590,346</u>	<u>\$ 212,320</u>

**STATE OF NEW MEXICO
CITY OF DEMING**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

10. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Business-Type Activities

On August 17, 2007, the City borrowed \$1,024,005 from the New Mexico Finance Authority. The note matures on May 1, 2027, and accrues interest at rates between 3.380% and 3.900% per annum. The proceeds of the loan were used for the construction of a water storage tank. The payments of principal and interest are paid from net revenues from the City's water and sewer activities.

The annual requirements to amortize the loan outstanding as of June 30, 2010, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 41,968	\$ 30,116	\$ 72,084
2012	43,170	28,916	72,086
2013	44,426	27,664	72,090
2014	45,734	26,358	72,092
2015	47,103	24,994	72,097
2016-2020	258,446	102,093	360,539
2021-2025	304,056	56,595	360,651
2026-2027	136,953	7,346	144,299
	<u>\$ 921,856</u>	<u>\$ 304,082</u>	<u>\$ 1,225,938</u>

Lease Purchases Payable – Business-Type Activities

The lease purchases payable are composed of the following:

4.75% lease purchase payable for purchase of an excavator, due in monthly payments of \$4,989, including interest, through October 2010, payable to John Deere Credit, Inc.	\$	41,920
0% lease purchase payable for wacker and trench roller, due in monthly payment so \$1,389, through November 2010, payable to TCF Equipment Finance.		9,022
0% lease purchase payable for purchase of three trench boxes, due in monthly payments of \$2,256, through November 2010, payable to Southwest Safety Services, Inc.		<u>16,404</u>
		67,346
Less current portion		<u>(67,346)</u>
	\$	<u>-</u>

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

10. LONG-TERM OBLIGATIONS (continued)

The annual requirement to amortize the lease purchases payable as of June 30, 2010, including interest payments, is as follows:

Due in year ending June 30:

	Principal	Interest	Total
2011	\$ 67,346	\$ 549	\$ 67,895

Landfill Closure and Post-Closure Costs

State and federal laws and regulations require that upon closing, the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure of the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The recognition of these landfill close and post-closure care costs is based on the estimated capacity of the landfill use to date compared to the total estimated capacity. During the fiscal year, the City continued to prepare the closing of their old landfill and completing the construction of their new landfill.

In May 2010, the City's landfill was closed to the general public; a new landfill and a transfer station were opened. Between July 1, 2009 and May 2010, the City did not increase the cumulative capacity of the landfill from the previous year's balance of 90%. The total estimated liability for landfill closure costs is \$114,533 as of June 30, 2010, which is based cumulative capacity to date (90%) as a percentage of project capacity at the time of landfill closure. The estimated liability for post-closure care is \$353,000 as of June 30, 2010, which is based on cumulative capacity to date (90%) as a percentage of project capacity at the time of landfill closure.

The estimated total current cost of the landfill closure and post-closure care of \$467,533 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2010. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

11. TAXES

Local effort and state shared revenues as of June 30, 2010:

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. TAXES (continued)

	General Fund	Street Fund	Total Non-Major Funds	Total Governmental Funds
Local effort taxes:				
Franchise taxes	\$ 312,684	\$ -	\$ -	\$ 312,684
Lodgers' taxes	-	-	358,465	358,465
Property taxes	499,868	-	-	499,868
Gross receipts taxes	3,368,857	-	-	3,368,857
	<u>\$ 4,181,409</u>	<u>\$ -</u>	<u>\$ 358,465</u>	<u>\$ 4,539,874</u>
State shared taxes:				
Cigarette taxes	\$ 18,786	\$ -	\$ 9,427	\$ 28,213
Gasoline taxes	-	414,118	-	414,118
Gross receipts taxes	3,023,311	-	-	3,023,311
Motor vehicle registration	219,126	-	-	219,126
	<u>\$ 3,261,223</u>	<u>\$ 414,118</u>	<u>\$ 9,427</u>	<u>\$ 3,684,768</u>

12. TRANSFERS

	Transfers In					Total
	General Fund	Street Fund	Water Fund	Airport Fund	Non-Major Fund	
Transfers Out:						
General fund	\$ -	\$ -	\$ -	\$ 162,611	\$ 1,145,978	\$ 1,308,589
Co-op fund	146,809	12,713	-	-	-	159,522
Sewer fund	-	-	22,781	22,781	-	22,781
Non-major funds	217,673	-	-	-	242,913	460,586
	<u>\$ 364,482</u>	<u>\$ 12,713</u>	<u>\$ 22,781</u>	<u>\$ 185,392</u>	<u>\$ 1,388,891</u>	<u>\$ 1,951,478</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend. Additionally, transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

13. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2010, the City determined that changes to the beginning of year net assets and fund balances were necessary. A description and the effect of the changes are as follows:

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

13. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements:			
The City has performed an intensive inventory and discovered errors in the capital assets previously reported.	\$ 1,979,335		
<i>Major Funds</i>			
General Fund			
The cash balance was understated in the previous fiscal year.	2,508		\$ 2,508
Gas Enterprise Fund			
The cash balance was understated in the previous fiscal year.		\$ 18,862	\$ 18,862
The City has performed an intensive inventory and discovered errors in the capital assets previously reported.		(103,816)	(103,816)
The utility deposit liability was understated in the previous fiscal year.		(160,671)	(160,671)
Total Gas Enterprise Fund			\$ (245,625)
Sewer Enterprise Fund			
The cash balance was understated in the previous fiscal year.		2,823	\$ 2,823
In the previous fiscal year the City incorrectly reflected financial activity related to the sewer fund within the wastewater capital projects fund.		200,993	200,993
The City has performed an intensive inventory and discovered errors in the capital assets previously reported.		472,885	472,885
Total Sewer Enterprise Fund			\$ 676,701
Solid Waste Enterprise Fund			
The cash balance was understated in the previous fiscal year.		4,936	\$ 4,936
In the previous fiscal year, the City incorrectly reflected financial activity related to the solid waste fund within the landfill capital project fund.		740,214	740,214
The City has performed an intensive inventory and discovered errors in the capital assets previously reported.		2,594,905	2,594,905
Total Solid Waste Enterprise Fund			\$ 3,340,055

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

13. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Water Enterprise Fund			
The cash balance was understated in the previous fiscal year.		13,573	\$ 13,573
The City has performed an intensive inventory and discovered errors in the capital assets previously reported.		(385,663)	(385,663)
			<u>\$ (372,090)</u>
Airport Enterprise Fund			
The cash balance was understated in the previous fiscal year.		1,040	\$ 1,040
The City has performed an intensive inventory and discovered errors in the capital assets previously reported.		1,418,337	1,418,337
			<u>\$ 1,419,377</u>
<i>Nonmajor Funds</i>			
Library Special Revenue Fund			
The cash balance was understated in the previous fiscal year.	441		<u>\$ 441</u>
Lodgers' Tax Special Revenue Fund			
The cash balance was understated in the previous fiscal year.	3,687		<u>\$ 3,687</u>
Lodgers' Tax Promotional Special Revenue Fund			
The cash balance was understated in the previous fiscal year.	3,295		<u>\$ 3,295</u>
Recreation Special Revenue Fund			
The cash balance was understated in the previous fiscal year.	1,084		<u>\$ 1,084</u>
Swimming Pool Special Revenue Fund			
The cash balance was understated in the previous fiscal year.	1,219		<u>\$ 1,219</u>
Cemetery Trust Special Revenue Fund			
The cash balance was understated in the previous fiscal year.	1,680		<u>\$ 1,680</u>
Landfill Capital Project Fund			
In the previous fiscal year, the City incorrectly reflected financial activity related to the solid waste enterprise fund within a governmental capital project fund.	(740,214)		<u>\$ (740,214)</u>

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

13. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Peru Mills Cleanup Project Fund			
Liabilities were overstated in prior fiscal year.	993		\$ 993
Wastewater Capital Project Fund			
In the previous fiscal year, the City incorrectly reflected financial activity related to the sewer enterprise fund within the governmental capital project fund.	(200,993)		\$ (200,993)
Cemetery Enterprise Fund			
The cash balance was understated in the previous fiscal year.		390	\$ 390
The City has performed an intensive inventory and discovered errors in the capital assets previously reported.		12,707	12,707
Total Cemetery Enterprise Fund			\$ 13,097
Total Government-Wide Financial Statements	\$ 1,053,035	\$ 4,831,515	

14. DEFICIT FUND BALANCE

The following funds had a deficit fund balance as of June 30, 2010:

Fund	Amount
Community Center	\$ 9,613

The deficit balance is the direct effect of the requirement to expend program costs prior to reimbursement from the funding sources. The revenues were received beyond the period considered available and thus the City did not record the revenues reducing the deficit to zero.

15. BUDGET RECONCILIATION

The City prepares its budget utilizing the cash basis of accounting. The City presents the following information that reconciles the general fund and the street special revenue fund budgetary comparison statement with the statement of revenues, expenditures, and changes in fund balances. The reconciliation of the remaining funds follows the budgetary comparison statements of each type of fund.

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

15. BUDGET RECONCILIATION (continued)

	<u>General Fund</u>	<u>Street Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 8,869,006	\$ 449,459
Differences - budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	(172,751)	456,150
Real estate taxes deferred in the previous year are recognized when considered available for financial reporting purposes. The real estate taxes are not recognized for budgetary purposes until received.	<u>65,538</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 8,761,793</u>	<u>\$ 905,609</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 7,634,709	\$ 331,568
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(157,217)	151,854
The City budgets for salaries paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>43,239</u>	<u>11,189</u>
Total expenditures, as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 7,520,731</u>	<u>\$ 494,611</u>
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfers in (out) from the budgetary comparison schedule.	\$ (944,107)	\$ 12,713
Differences - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ (944,107)</u>	<u>\$ 12,713</u>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

16. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing, multiple-employer defined benefit plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute from 13.15% to 16.30% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in state statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2010, 2009, and 2008 were \$800,666 and \$843,453, and \$785,032, respectively, equal to the amount of the required contributions for each year.

17. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

17. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Plan Description (continued)

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

(1) The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

(A) For employees who are not members of an enhanced retirement plan for contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

(B) For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1] the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

17. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Funding Policy (continued)

(B continued) Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico state legislature.

Pursuant to GASB 43, a determination has been made whereby the Retiree Healthcare Authority is considered a multiple employer cost sharing trust. Under this determination, the extensive OPEB disclosure concerning the funded status of the plan is made on the Authority's books rather than at the participant or agency level. Accordingly, no accrual has been made for this liability on the City's books.

The City's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$77,369, \$81,311 and \$113,860, respectively, which equal the required contributions for each year.

18. RELATED PARTY TRANSACTIONS

The City has a related party transaction, involving a City councilor. For the fiscal year ended June 30, 2010, the totals of these additional related party transactions are immaterial in respect to the financial statements.

19. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operates as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self-Insured Fund for its general insurance coverage, and all risk of loss is transferred.

20. CONTINGENT LIABILITES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds								
	Emergency Medical Services Fund	Fire Fund	Law Enforcement Protection Fund	Library Fund	Lodgers' Tax Fund	Lodgers' Tax Promotional Fund	Recreation Fund	Economic Development Fund	Special Events Center Fund
<u>ASSETS</u>									
Cash	\$ 3,346	\$ 87,029	\$ 12,404	\$ 59,339	\$ 236,200	\$ 190,463	\$ 91,303	\$ 58,149	\$ 47,957
Investments	-	-	-	-	97,553	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	50
Taxes receivable	-	-	-	-	25,363	-	1,550	-	-
Intergovernmental receivable	-	-	-	-	-	-	5,751	67,294	-
Note receivable	-	-	-	-	-	-	-	500,000	-
Accrued interest receivable	-	-	-	72	133	9	1	-	-
Total assets	<u>\$ 3,346</u>	<u>\$ 87,029</u>	<u>\$ 12,404</u>	<u>\$ 59,411</u>	<u>\$ 359,249</u>	<u>\$ 190,472</u>	<u>\$ 98,605</u>	<u>\$ 625,443</u>	<u>\$ 48,007</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 3,037	\$ 5,908	\$ 701	\$ 8,760	\$ 1,611	\$ 16,816	\$ 54,691	\$ 28,906	\$ 3,013
Accrued salaries	-	-	-	5,122	-	-	630	2,370	-
Total liabilities	3,037	5,908	701	13,882	1,611	16,816	55,321	31,276	3,013
Fund Balances:									
Reserved:									
Subsequent year's expenditures	309	81,121	11,703	-	111,850	98,401	6,758	43,079	5,500
Unreserved	-	-	-	45,529	245,788	75,255	36,526	551,088	39,494
Total fund balances	<u>309</u>	<u>81,121</u>	<u>11,703</u>	<u>45,529</u>	<u>357,638</u>	<u>173,656</u>	<u>43,284</u>	<u>594,167</u>	<u>44,994</u>
Total liabilities and fund balances	<u>\$ 3,346</u>	<u>\$ 87,029</u>	<u>\$ 12,404</u>	<u>\$ 59,411</u>	<u>\$ 359,249</u>	<u>\$ 190,472</u>	<u>\$ 98,605</u>	<u>\$ 625,443</u>	<u>\$ 48,007</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds							
	Community Center Fund	Boot Camp Fund	Traffic Safety Fund	Mimbres Valley Authority Fund	Regional Transportation Fund	Swimming Pool Fund	Cemetery Trust Fund	Total Special Revenue Funds
ASSETS								
Cash	\$ 4,714	\$ -	\$ -	\$ -	\$ -	\$ 40,445	\$ 285,086	\$ 1,116,435
Investments	-	-	-	-	-	-	1,125	98,678
Accounts receivable	3,400	-	-	-	-	-	-	3,450
Taxes receivable	-	-	-	-	-	-	-	26,913
Intergovernmental receivable	-	-	-	-	-	-	-	73,045
Note receivable	-	-	-	-	-	-	-	500,000
Accrued interest receivable	-	-	-	-	-	-	410	625
Total assets	<u>\$ 8,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,445</u>	<u>\$ 286,621</u>	<u>\$ 1,819,146</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 5,927	\$ -	\$ -	\$ -	\$ -	\$ 8,032	\$ 550	\$ 137,952
Accrued salaries	11,800	-	-	-	-	10,981	-	30,903
Total liabilities	17,727	-	-	-	-	19,013	550	168,855
Fund Balances:								
Reserved:								
Subsequent years' expenditures	-	-	-	-	-	-	194,505	553,226
Unreserved	(9,613)	-	-	-	-	21,432	91,566	1,097,065
Total fund balance	(9,613)	-	-	-	-	21,432	286,071	1,650,291
Total liabilities and fund balance	<u>\$ 8,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,445</u>	<u>\$ 286,621</u>	<u>\$ 1,819,146</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

Capital Project Funds

	CDBG 2008/2009 Option Fund	CDBG Planning Grant 2008/2009 Fund	CDBG 2008/2009 Fund	Park Acquisition Fund	Landfill Capital Project Fund	Voiers Park Fund	Peru Mills Cleanup Project Fund	Wastewater Plant Fund	Total Capital Project Funds	Total Non-Major Funds
ASSETS										
Cash	\$ -	\$ 24,638	\$ 100	\$ 9,954	\$ -	\$ -	\$ -	\$ -	\$ 34,692	\$ 1,151,127
Investments	-	-	-	-	-	-	-	-	-	98,678
Accounts receivable	-	-	-	-	-	-	-	-	-	3,450
Taxes receivable	-	-	-	-	-	-	-	-	-	26,913
Intergovernmental receivable	-	2,973	-	-	-	-	-	-	2,973	76,018
Note receivable	-	-	-	-	-	-	-	-	-	500,000
Accrued interest receivable	-	-	-	-	-	-	-	-	-	625
Total assets	<u>\$ -</u>	<u>\$ 27,611</u>	<u>\$ 100</u>	<u>\$ 9,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,665</u>	<u>\$ 1,856,811</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ 8,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,166	\$ 146,118
Accrued salaries	-	-	-	-	-	-	-	-	-	30,903
Total liabilities	-	8,166	-	-	-	-	-	-	8,166	177,021
Fund Balances:										
Reserved:										
Subsequent year's expenditures	-	19,445	-	9,954	-	-	-	-	29,399	582,625
Unreserved	-	-	100	-	-	-	-	-	100	1,097,165
Total fund balances	-	19,445	100	9,954	-	-	-	-	29,499	1,679,790
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 27,611</u>	<u>\$ 100</u>	<u>\$ 9,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,665</u>	<u>\$ 1,856,811</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds									
	Emergency Medical Services Fund	Fire Fund	Law Enforcement Protection Fund	Library Fund	Lodgers' Tax Fund	Lodgers' Tax Promotional Fund	Recreation Fund	Economic Development Fund	Special Events Center Fund	Community Center Fund
Revenues:										
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ 358,465	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	-	-	-	9,427	-	-	-
Intergovernmental	41,973	111,420	40,400	54,721	-	6,675	48,530	193,000	-	-
Charges for services	-	-	-	-	-	-	-	-	72,310	73,150
Fines and forfeitures	-	-	-	13,307	-	-	-	-	-	-
Interest	14	731	32	649	10,692	3,383	1,265	15,215	228	122
Miscellaneous	-	-	700	1,234	2,934	1,210	31,389	12,000	-	4,051
Total revenues	<u>41,987</u>	<u>112,151</u>	<u>41,132</u>	<u>69,911</u>	<u>372,091</u>	<u>11,268</u>	<u>90,611</u>	<u>220,215</u>	<u>72,538</u>	<u>77,323</u>
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	72,309	-
Public safety	41,678	17,764	10,229	-	-	-	-	-	-	-
Culture and recreation	-	-	-	314,687	242,406	256,780	208,878	-	-	386,236
Health and welfare	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	261,957	-	-
Capital outlay	-	-	20,473	-	-	-	54,616	-	-	-
Debt service:										
Principal	-	115,936	-	-	-	-	-	-	-	-
Interest	-	4,177	-	-	-	-	-	-	-	-
Total expenditures	<u>41,678</u>	<u>137,877</u>	<u>30,702</u>	<u>314,687</u>	<u>242,406</u>	<u>256,780</u>	<u>263,494</u>	<u>261,957</u>	<u>72,309</u>	<u>386,236</u>
Excess (deficiency) of revenues over expenditures	309	(25,726)	10,430	(244,776)	129,685	(245,512)	(172,883)	(41,742)	229	(308,913)
Other Financing Sources (Uses):										
Transfers in	-	-	-	230,000	-	180,913	140,000	122,000	-	305,000
Transfers (out)	-	-	-	-	(180,913)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,000</u>	<u>(180,913)</u>	<u>180,913</u>	<u>140,000</u>	<u>122,000</u>	<u>-</u>	<u>305,000</u>
Net change in fund balances	309	(25,726)	10,430	(14,776)	(51,228)	(64,599)	(32,883)	80,258	229	(3,913)
Fund balances, beginning of year	-	106,847	1,273	59,864	405,179	234,960	75,083	513,909	44,765	(5,700)
Restatements	-	-	-	441	3,687	3,295	1,084	-	-	-
Fund balance, beginning of year restated	<u>-</u>	<u>106,847</u>	<u>1,273</u>	<u>60,305</u>	<u>408,866</u>	<u>238,255</u>	<u>76,167</u>	<u>513,909</u>	<u>44,765</u>	<u>(5,700)</u>
Fund balances, end of year	<u>\$ 309</u>	<u>\$ 81,121</u>	<u>\$ 11,703</u>	<u>\$ 45,529</u>	<u>\$ 357,638</u>	<u>\$ 173,656</u>	<u>\$ 43,284</u>	<u>\$ 594,167</u>	<u>\$ 44,994</u>	<u>\$ (9,613)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						Total Special Revenue Funds	CDBG 2008/2009 Option Fund
	Boot Camp Fund	Traffic Safety Fund	Mimbres Valley Authority Fund	Regional Transportation Fund	Swimming Pool Fund	Cemetery Trust Fund		
Revenues:								
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 358,465	\$ -
State shared taxes	-	-	-	-	-	-	9,427	-
Intergovernmental	-	-	133,533	-	-	-	630,252	44,000
Charges for services	-	367	-	-	34,362	-	180,189	-
Fines and forfeitures	-	-	-	-	-	-	13,307	-
Interest	-	3	-	-	71	6,601	39,006	-
Miscellaneous	17	-	-	-	-	11,213	64,748	-
Total revenues	17	370	133,533	-	34,433	17,814	1,295,394	44,000
Expenditures:								
Current:								
General government	-	-	-	-	-	-	72,309	-
Public safety	-	4,743	-	-	-	-	74,414	-
Culture and recreation	-	-	-	-	148,091	-	1,557,078	-
Health and welfare	-	-	217,821	-	-	49,225	267,046	-
Economic development	-	-	-	-	-	-	261,957	-
Capital outlay	-	-	-	-	-	-	75,089	23,515
Debt service:								
Principal	-	-	-	-	-	-	115,936	-
Interest	-	-	-	-	-	-	4,177	-
Total expenditures	-	4,743	217,821	-	148,091	49,225	2,428,006	23,515
Excess (deficiency) of revenues over expenditures	17	(4,373)	(84,288)	-	(113,658)	(31,411)	(1,132,612)	20,485
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	125,000	-	1,102,913	23,615
Transfers (out)	-	-	(77,310)	(50,890)	-	-	(309,113)	(44,100)
Total other financing sources (uses)	-	-	(77,310)	(50,890)	125,000	-	793,800	(20,485)
Net change in fund balances	17	(4,373)	(161,598)	(50,890)	11,342	(31,411)	(338,812)	-
Fund balances, beginning of year	(17)	4,373	161,598	50,890	8,871	315,802	1,977,697	-
Restatements	-	-	-	-	1,219	1,680	11,406	-
Fund balance, beginning of year restated	(17)	4,373	161,598	50,890	10,090	317,482	1,989,103	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ 21,432	\$ 284,391	\$ 1,650,291	\$ -

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Capital Project Funds								
	CDBG Planning Grant 2008/2009 Fund	CDBG 2008/2009 Fund	Park Acquisition Fund	Landfill Capital Project Fund	Voiers Park Fund	Peru Mills Cleanup Project Fund	Wastewater Plant Fund	Total Capital Project Funds	Total Non-Major Funds
Revenues:									
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 358,465
State shared taxes	-	-	-	-	-	-	-	-	9,427
Intergovernmental	40,500	109,907	-	-	-	-	-	194,407	824,659
Charges for services	-	-	1,143	-	-	-	-	1,143	181,332
Fines and forfeitures	-	-	-	-	-	-	-	-	13,307
Interest	-	-	49	-	-	-	-	49	39,055
Miscellaneous	-	-	-	-	-	-	-	-	64,748
Total revenues	40,500	109,907	1,192	-	-	-	-	195,599	1,490,993
Expenditures:									
Current:									
General government	-	851	-	-	-	-	-	851	73,160
Public safety	-	-	-	-	-	-	-	-	74,414
Culture and recreation	-	-	-	-	-	-	-	-	1,557,078
Health and welfare	50,318	-	-	-	-	-	-	50,318	317,364
Economic development	-	-	-	-	-	-	-	-	261,957
Capital outlay	-	466,916	-	-	-	-	-	490,431	565,520
Debt service:									
Principal	-	-	-	-	-	-	-	-	115,936
Interest	-	-	-	-	-	-	-	-	4,177
Total expenditures	50,318	467,767	-	-	-	-	-	541,600	2,969,606
Excess (deficiency) of revenues over expenditures	(9,818)	(357,860)	1,192	-	-	-	-	(346,001)	(1,478,613)
Other Financing Sources (Uses):									
Transfers in	29,263	233,100	-	-	-	-	-	285,978	1,388,891
Transfers (out)	-	(67,373)	-	-	(40,000)	-	-	(151,473)	(460,586)
Total other financing sources (uses)	29,263	165,727	-	-	(40,000)	-	-	134,505	928,305
Net change in fund balances	19,445	(192,133)	1,192	-	(40,000)	-	-	(211,496)	(550,308)
Fund balances, beginning of year	-	192,233	8,762	740,214	40,000	(993)	200,993	1,181,209	3,158,906
Restatements	-	-	-	(740,214)	-	993	(200,993)	(940,214)	(928,808)
Fund balance, beginning of year restated	-	192,233	8,762	-	40,000	-	-	240,995	2,230,098
Fund balances, end of year	\$ 19,445	\$ 100	\$ 9,954	\$ -	\$ -	\$ -	\$ -	\$ 29,499	\$ 1,679,790

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 64,951	\$ 41,973	\$ 41,973	\$ -
Interest	-	-	14	14
Total revenues	64,951	41,973	41,987	14
Expenditures:				
Current:				
Health and welfare	19,000	40,159	38,641	1,518
Capital outlay	45,951	1,814	-	1,814
Total expenditures	64,951	41,973	38,641	3,332
Net change in cash balance	-	-	3,346	3,346
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	\$ -	\$ -	\$ 3,346	\$ 3,346

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
FIRE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 84,279	\$ 111,420	\$ 111,420	\$ -
Interest	-	517	386	(131)
Total revenues	84,279	111,937	111,806	(131)
Expenditures:				
Current:				
Public safety	290	11,856	11,856	-
Capital outlay	140,722	86,773	-	86,773
Debt service:				
Principal	27,579	96,679	96,679	-
Interest	3,104	3,658	3,658	-
Total expenditures	171,695	198,966	112,193	86,773
Net change in cash balance	(87,416)	(87,029)	(387)	86,642
Cash balance, beginning of year	87,416	87,416	87,416	-
Cash balance, end of year	\$ -	\$ 387	\$ 87,029	\$ 86,642

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 40,400	\$ 40,400	\$ 40,400	\$ -
Interest	-	33	32	(1)
Miscellaneous	-	700	700	-
Total revenues	40,400	41,133	41,132	(1)
Expenditures:				
Current:				
Public safety	22,408	21,935	10,263	11,672
Capital outlay	20,000	20,473	20,473	-
Total expenditures	42,408	42,408	30,736	11,672
Net change in cash balance	(2,008)	(1,275)	10,396	11,671
Cash balance, beginning of year	2,008	2,008	2,008	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ 733</u>	<u>\$ 12,404</u>	<u>\$ 11,671</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 55,500	\$ 55,500	\$ 54,721	\$ (779)
Fines and forfeitures	11,500	13,307	13,307	-
Interest	1,200	1,526	577	(949)
Miscellaneous	600	1,288	1,234	(54)
Total revenues	68,800	71,621	69,839	(1,782)
Expenditures:				
Current:				
Culture and recreation	291,811	300,811	291,425	9,386
Capital outlay	13,000	19,800	19,780	20
Total expenditures	304,811	320,611	311,205	9,406
Excess (deficiency) of revenues over expenditures	(236,011)	(248,990)	(241,366)	7,624
Other Financing Sources (Uses):				
Transfer in	205,000	230,000	230,000	-
Net change in cash balance	(31,011)	(18,990)	(11,366)	7,624
Cash balance, beginning of year	62,183	62,183	62,183	-
Restatement	441	441	441	-
Restated cash balance, beginning of year	62,624	62,624	62,624	-
Investments converted to cash	-	-	8,081	8,081
Cash balance, end of year	<u>\$ 31,613</u>	<u>\$ 43,634</u>	<u>\$ 59,339</u>	<u>\$ 15,705</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LODGERS' TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Local effort taxes	\$ 365,000	\$ 361,826	\$ 361,826	\$ -
Interest	4,000	10,560	10,559	(1)
Miscellaneous	-	729	728	(1)
Total revenues	<u>369,000</u>	<u>373,115</u>	<u>373,113</u>	<u>(2)</u>
Expenditures:				
Current:				
Culture and recreation	255,900	249,350	242,711	6,639
Capital outlay	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>330,900</u>	<u>249,350</u>	<u>242,711</u>	<u>6,639</u>
Excess (deficiency) of revenues over expenditures	38,100	123,765	130,402	6,637
Other Financing Sources (Uses):				
Transfer (out)	<u>(182,500)</u>	<u>(180,913)</u>	<u>(180,913)</u>	<u>-</u>
Net change in cash balance	(144,400)	(57,148)	(50,511)	6,637
Cash balance, beginning of year	283,009	283,009	283,009	-
Restatement	<u>-</u>	<u>-</u>	<u>3,687</u>	<u>3,687</u>
Restated cash balance, beginning of year	283,009	283,009	286,696	3,687
Investments converted to cash	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>
Cash balance, end of year	<u>\$ 138,609</u>	<u>\$ 225,861</u>	<u>\$ 236,200</u>	<u>\$ 10,339</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LODGERS' TAX PROMOTIONAL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 5,000	\$ 6,675	\$ 6,675	\$ -
Interest	3,000	5,348	3,374	(1,974)
Miscellaneous	-	1,210	1,210	-
Total revenues	8,000	13,233	11,259	(1,974)
Expenditures:				
Current:				
Culture and recreation	295,000	295,000	255,982	39,018
Excess (deficiency) of revenues over expenditures	(287,000)	(281,767)	(244,723)	37,044
Other Financing Sources (Uses):				
Transfer in	182,500	180,913	180,913	-
Net change in cash balance	(104,500)	(100,854)	(63,810)	37,044
Cash balance, beginning of year	250,023	250,023	250,023	-
Restatement	-	-	3,295	3,295
Restated cash balance, beginning of year	250,023	250,023	253,318	3,295
Investments converted to cash	-	-	955	955
Cash balance, end of year	<u>\$ 145,523</u>	<u>\$ 149,169</u>	<u>\$ 190,463</u>	<u>\$ 41,294</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 10,000	\$ 10,000	\$ 9,161	\$ (839)
Intergovernmental	583,000	175,290	47,869	(127,421)
Interest	750	1,560	1,264	(296)
Miscellaneous	8,000	39,400	31,389	(8,011)
Total revenues	601,750	226,250	89,683	(136,567)
Expenditures:				
Current:				
Culture and recreation	238,112	256,062	164,665	91,397
Capital outlay	566,000	159,797	54,616	105,181
Total expenditures	804,112	415,859	219,281	196,578
Excess (deficiency) of revenues over expenditures	(202,362)	(189,609)	(129,598)	60,011
Other Financing Sources (Uses):				
Transfer in	200,000	200,000	140,000	(60,000)
Net change in cash balance	(2,362)	10,391	10,402	11
Cash balance, beginning of year	79,718	79,718	79,718	-
Restatements	-	-	1,084	1,084
Restated cash balance, beginning of year	79,718	79,718	80,802	1,084
Investments converted to cash	-	-	99	99
Cash balance, end of year	\$ 77,356	\$ 90,109	\$ 91,303	\$ 1,194

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 169,500	\$ 99,821	\$ 125,706	\$ 25,885
Interest	12,120	27,215	15,215	(12,000)
Miscellaneous	12,000	12,000	12,000	-
Total revenues	193,620	139,036	152,921	13,885
Expenditures:				
Current:				
Economic development	242,986	249,036	232,777	16,259
Excess (deficiency) of revenues over expenditures	(49,366)	(110,000)	(79,856)	30,144
Other Financing Sources (Uses):				
Transfer in	44,000	110,000	122,000	12,000
Net change in cash balance	(5,366)	-	42,144	42,144
Cash balance, beginning of year	16,005	16,005	16,005	-
Cash balance, end of year	<u>\$ 10,639</u>	<u>\$ 16,005</u>	<u>\$ 58,149</u>	<u>\$ 42,144</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SPECIAL EVENTS CENTER SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 71,000	\$ 74,010	\$ 72,260	\$ (1,750)
Interest	200	228	228	-
Total revenues	71,200	74,238	72,488	(1,750)
Expenditures:				
Current:				
Culture and recreation	91,300	89,800	73,761	16,039
Net change in cash balance	(20,100)	(15,562)	(1,273)	14,289
Cash balance, beginning of year	49,230	49,230	49,230	-
Cash balance, end of year	<u>\$ 29,130</u>	<u>\$ 33,668</u>	<u>\$ 47,957</u>	<u>\$ 14,289</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMMUNITY CENTER SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Charges for services	\$ 64,800	\$ 69,750	\$ 69,750	\$ -
Interest	300	300	122	(178)
Miscellaneous	2,400	4,052	4,051	(1)
Total revenues	67,500	74,102	73,923	(179)
Expenditures:				
Current:				
Culture and recreation	364,922	477,472	401,000	76,472
Capital outlay	60,000	-	-	-
Total expenditures	424,922	477,472	401,000	76,472
Excess (deficiency) of revenues over expenditures	(357,422)	(403,370)	(327,077)	76,293
Other Financing Sources (Uses):				
Transfer in	344,000	344,000	305,000	(39,000)
Net change in cash balance	(13,422)	(59,370)	(22,077)	37,293
Cash balance, beginning of year	26,791	26,791	26,791	-
Cash balance, end of year	<u>\$ 13,369</u>	<u>\$ (32,579)</u>	<u>\$ 4,714</u>	<u>\$ 37,293</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
TRAFFIC SAFETY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Charges for services	\$ -	\$ 367	\$ 367	\$ -
Interest	-	5	3	(2)
Total revenues	-	372	370	(2)
Expenditures:				
Current:				
Public safety	4,213	4,745	4,743	2
Net change in cash balance	(4,213)	(4,373)	(4,373)	-
Cash balance, beginning of year	4,373	4,373	4,373	-
Cash balance, end of year	<u>\$ 160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
MIMBRES VALLEY AUTHORITY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 124,963	\$ 124,963	\$ 124,963	\$ -
Expenditures:				
Current:				
Health and welfare	<u>298,378</u>	<u>298,378</u>	<u>221,068</u>	<u>77,310</u>
Excess (deficiency) of revenues over expenditures	(173,415)	(173,415)	(96,105)	77,310
Other Financing Sources (Uses):				
Transfer (out)	<u>-</u>	<u>-</u>	<u>(77,310)</u>	<u>(77,310)</u>
Net change in cash balance	(173,415)	(173,415)	(173,415)	-
Cash balance, beginning of year	<u>173,415</u>	<u>173,415</u>	<u>173,415</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
REGIONAL TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public works	<u>50,890</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(50,890)	-	-	-
Other Financing Sources (Uses):				
Transfer (out)	<u>-</u>	<u>(50,890)</u>	<u>(50,890)</u>	<u>-</u>
Net change in cash balance	(50,890)	(50,890)	(50,890)	-
Cash balance, beginning of year	<u>50,890</u>	<u>50,890</u>	<u>50,890</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SWIMMING POOL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 29,752	\$ 33,975	\$ 33,975	\$ -
Interest	50	72	71	(1)
Total revenues	29,802	34,047	34,046	(1)
Expenditures:				
Current:				
Culture and recreation	164,802	187,977	146,675	41,302
Capital outlay	10,000	10,000	-	10,000
Total expenditures	174,802	197,977	146,675	51,302
Excess (deficiency) of revenues over expenditures	(145,000)	(163,930)	(112,629)	51,301
Other Financing Sources (Uses):				
Transfer in	145,000	145,000	125,000	(20,000)
Net change in cash balance	-	(18,930)	12,371	31,301
Cash balance, beginning of year	26,855	26,855	26,855	-
Restatements	-	-	1,219	1,219
Restated cash balance, beginning of year	26,855	26,855	28,074	1,219
Cash balance, end of year	<u>\$ 26,855</u>	<u>\$ 7,925</u>	<u>\$ 40,445</u>	<u>\$ 32,520</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CEMETERY TRUST SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Interest	\$ 2,000	\$ 8,332	\$ 9,750	\$ 1,418
Miscellaneous	7,000	11,152	11,152	-
Total revenues	9,000	19,484	20,902	1,418
Expenditures:				
Current:				
General government	45,973	51,694	50,402	1,292
Capital outlay	105,000	129,950	-	129,950
Total expenditures	150,973	181,644	50,402	131,242
Net change in cash balance	(141,973)	(162,160)	(29,500)	132,660
Cash balance, beginning of year	312,988	312,988	312,988	-
Restatements	-	-	1,680	1,680
Restated cash balance, beginning of year	312,988	312,988	314,668	1,680
Cash converted to investments	-	-	(82)	(82)
Cash balance, end of year	<u>\$ 171,015</u>	<u>\$ 150,828</u>	<u>\$ 285,086</u>	<u>\$ 134,258</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Emergency Medical Services Fund	Fire Fund	Law Enforcement Protection Fund	Library Fund
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 41,987	\$ 111,806	\$ 41,132	\$ 69,839
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	-	345	-	72
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 41,987</u>	<u>\$ 112,151</u>	<u>\$ 41,132</u>	<u>\$ 69,911</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 38,641	\$ 112,193	\$ 30,736	\$ 311,205
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	3,037	25,684	(34)	3,412
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	-	-	70
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 41,678</u>	<u>\$ 137,877</u>	<u>\$ 30,702</u>	<u>\$ 314,687</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ -	\$ 230,000
Differences - Budget to GAAP:				
None.	-	-	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,000</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**

**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Lodgers' Tax Fund</u>	<u>Lodgers' Tax Promotional Fund</u>	<u>Recreation Fund</u>	<u>Economic Development Fund</u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 373,113	\$ 11,259	\$ 89,683	\$ 152,921
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>(1,022)</u>	<u>9</u>	<u>928</u>	<u>67,294</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 372,091</u>	<u>\$ 11,268</u>	<u>\$ 90,611</u>	<u>\$ 220,215</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 242,711	\$ 255,982	\$ 219,281	\$ 232,777
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(305)	798	50,680	26,810
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>(6,467)</u>	<u>2,370</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 242,406</u>	<u>\$ 256,780</u>	<u>\$ 263,494</u>	<u>\$ 261,957</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (180,913)	\$ 180,913	\$ 140,000	\$ 122,000
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ (180,913)</u>	<u>\$ 180,913</u>	<u>\$ 140,000</u>	<u>\$ 122,000</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**

**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Events Center Fund	Community Center Fund	Boot Camp Fund	Traffic Safety Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 72,488	\$ 73,923	\$ -	\$ 370
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>50</u>	<u>3,400</u>	<u>17</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 72,538</u>	<u>\$ 77,323</u>	<u>\$ 17</u>	<u>\$ 370</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 73,761	\$ 401,000	\$ -	\$ 4,743
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(1,452)	(22,800)	-	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>8,036</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 72,309</u>	<u>\$ 386,236</u>	<u>\$ -</u>	<u>\$ 4,743</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ 305,000	\$ -	\$ -
Differences - Budget to GAAP:				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and balances - special revenue funds.	<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**

**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Mimbres Valley Authority Fund	Regional Transportation Fund	Swimming Pool Fund	Cemetery Trust Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 124,963	\$ -	\$ 34,046	\$ 20,902
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>8,570</u>	<u>-</u>	<u>387</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 133,533</u>	<u>\$ -</u>	<u>\$ 34,433</u>	<u>\$ 20,902</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 221,068	\$ -	\$ 146,675	\$ 50,402
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(1,379)	-	1,085	(91)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>(1,868)</u>	<u>-</u>	<u>331</u>	<u>(1,086)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 217,821</u>	<u>\$ -</u>	<u>\$ 148,091</u>	<u>\$ 49,225</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (77,310)	\$ (50,890)	\$ 125,000	\$ -
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ (77,310)</u>	<u>\$ (50,890)</u>	<u>\$ 125,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CDBG 2008/2009 OPTION CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 44,000	\$ 44,000	\$ 44,000	\$ -
Expenditures:				
Capital outlay	44,000	44,000	23,515	20,485
Excess (deficiency) of revenues over expenditures	-	-	20,485	20,485
Other Financing Sources (Uses):				
Transfer in	-	23,615	23,615	-
Transfer (out)	-	(44,100)	(44,100)	-
Total other financing sources (uses)	-	(20,485)	(20,485)	-
Net change in cash balance	-	(20,485)	-	20,485
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	\$ -	\$ (20,485)	\$ -	\$ 20,485

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CDBG PLANNING GRANT 2008/2009 CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 40,500	\$ 40,500	\$ 37,527	\$ (2,973)
Expenditures:				
Current:				
Health and welfare	<u>45,000</u>	<u>45,000</u>	<u>42,152</u>	<u>2,848</u>
Excess (deficiency) of revenues over expenditures	(4,500)	(4,500)	(4,625)	(125)
Other Financing Sources (Uses):				
Transfer in	<u>4,500</u>	<u>4,500</u>	<u>29,263</u>	<u>24,763</u>
Net change in cash balance	-	-	24,638	24,638
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,638</u>	<u>\$ 24,638</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CDBG 2008/2009 CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 525,000	\$ 525,000	\$ 525,000	\$ -
Miscellaneous	30,000	30,000	-	(30,000)
Total revenues	555,000	555,000	525,000	(30,000)
Expenditures:				
Current:				
General government	-	851	851	-
Capital outlay	709,345	729,879	729,877	2
Total expenditures	709,345	730,730	730,728	2
Excess (deficiency) of revenues over expenditures	(154,345)	(175,730)	(205,728)	(29,998)
Other Financing Sources (Uses):				
Transfer in	114,244	233,100	233,100	-
Transfer (out)	-	(67,373)	(67,373)	-
Total other financing sources (uses)	114,244	165,727	165,727	-
Net change in cash balance	(40,101)	(10,003)	(40,001)	(29,998)
Cash balance, beginning of year	40,101	40,101	40,101	-
Cash balance, end of year	\$ -	\$ 30,098	\$ 100	\$ (29,998)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
PARK ACQUISITION CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Charges for services	\$ 250	\$ 1,145	\$ 1,143	\$ (2)
Interest	-	50	49	(1)
Total revenues	250	1,195	1,192	(3)
Expenditures:				
Capital outlay	9,012	9,012	-	9,012
Net change in cash balance	(8,762)	(7,817)	1,192	9,009
Cash balance, beginning of year	8,762	8,762	8,762	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ 945</u>	<u>\$ 9,954</u>	<u>\$ 9,009</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LANDFILL CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	711,856	711,856	711,856	-
Restatement	<u>(711,856)</u>	<u>(711,856)</u>	<u>(711,856)</u>	<u>-</u>
Restated cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CO-OP CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 4,976,599	\$ 3,808,618	\$ 1,635,333	\$ (2,173,285)
Interest	-	547	546	(1)
Total revenues	<u>4,976,599</u>	<u>3,809,165</u>	<u>1,635,879</u>	<u>(2,173,286)</u>
Expenditures:				
Current:				
Public works	-	27	26	1
Capital outlay	<u>4,815,932</u>	<u>3,632,758</u>	<u>1,492,473</u>	<u>2,140,285</u>
Total expenditures	<u>4,815,932</u>	<u>3,632,785</u>	<u>1,492,499</u>	<u>2,140,286</u>
Excess (deficiency) of revenues over expenditures	160,667	176,380	143,380	(33,000)
Other Financing Sources (Uses):				
Transfer (out)	<u>(176,809)</u>	<u>(192,522)</u>	<u>(159,522)</u>	<u>33,000</u>
Net change in cash balance	(16,142)	(16,142)	(16,142)	-
Cash balance, beginning of year	<u>16,142</u>	<u>16,142</u>	<u>16,142</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
VOIERS PARK CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfer (out)	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net change in cash balance	-	(40,000)	(40,000)	-
Cash balance, beginning of year	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 40,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
WASTEWATER PLANT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	-	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	200,993	200,993	200,993	-
Restatement	<u>(200,993)</u>	<u>(200,993)</u>	<u>(200,993)</u>	-
Restated cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	CDBG 2008/2009 Option Fund	CDBG Planning Grant 2008/2009 Fund	CDBG 2008/2009 Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 44,000	\$ 37,527	\$ 525,000
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>2,973</u>	<u>(415,093)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 44,000</u>	<u>\$ 40,500</u>	<u>\$ 109,907</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 23,515	\$ 42,152	\$ 730,728
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>(262,961)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - capital project funds.	<u>\$ 23,515</u>	<u>\$ 42,152</u>	<u>\$ 467,767</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (20,485)	\$ 29,263	\$ 165,727
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - capital project funds.	<u>\$ (20,485)</u>	<u>\$ 29,263</u>	<u>\$ 165,727</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Park Acquisition Fund</u>	<u>Co-Op Fund</u>	<u>Voiers Park Fund</u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 1,192	\$ 1,635,879	\$ -
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>(254,813)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 1,192</u>	<u>\$ 1,381,066</u>	<u>\$ -</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ -	\$ 1,492,499	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ -</u>	<u>\$ 1,492,499</u>	<u>\$ -</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ (159,522)	\$ (40,000)
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - capital project funds.	<u>\$ -</u>	<u>\$ (159,522)</u>	<u>\$ (40,000)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2010

	Cemetery Enterprise Fund
Assets:	
Current assets:	
Cash	\$ 95,484
Receivables (net of allowance):	
Accounts	8,895
Interest	59
Noncurrent assets:	
Land	249,500
Construction in progress	13,461
Buildings	43,860
Equipment	109,491
Less accumulated depreciation	(151,730)
Total capital assets, net	264,582
Total assets	369,020
Liabilities:	
Current liabilities:	
Accounts payable	2,248
Total current liabilities	2,248
Net assets:	
Invested in capital assets	264,582
Unrestricted	102,190
Total net assets	\$ 366,772

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Cemetery Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ 63,158
Operating Expenses:	
General operating	28,771
Depreciation	<u>894</u>
Total operating expenses	<u>29,665</u>
Operating income	33,493
Non-Operating Revenues (Expenses):	
Interest income	780
Gain on investments	294
Miscellaneous income	<u>190</u>
Total non-operating revenues (expenses)	<u>1,264</u>
Change in net assets	34,757
Net assets, beginning of year	318,918
Restatements	<u>13,097</u>
Net assets, beginning of year, restated	<u>332,015</u>
Net assets, end of year	<u><u>\$ 366,772</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Cemetery Enterprise Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 65,868
Cash payments to suppliers for goods and services	(27,249)
Net cash provided by operating activities	38,619
Cash Flows from Non-Capital Financing Activities:	
Cash received from miscellaneous sources	190
Cash Flows from Capital and Financing Activities:	
Acquisition of capital assets	(69,500)
Cash Flows from Investing Activities:	
Interest income	1,015
Return of principal	6,575
Purchase of time deposits	(252)
Net cash provided by investing activities	7,338
Net (decrease) in cash	(23,353)
Cash and cash equivalents, beginning of year	102,695
Restatement	390
Cash and cash equivalents, beginning of year, restated	103,085
Cash and cash equivalents, end of year	\$ 79,732
Displayed as:	
Cash	\$ 95,484
Time deposits not considered cash equivalents	(15,752)
	\$ 79,732
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 33,493
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	894
Change in Assets and Liabilities:	
Decrease in accounts receivable	2,710
Increase in accounts payable	1,522
Total adjustments	5,126
Net cash provided by operating activities	\$ 38,619

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
GAS ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 3,931,000	\$ 4,073,596	\$ 4,029,647	\$ (43,949)
Operating Expenses:				
Personnel services	979,015	978,790	967,701	11,089
General operating	3,248,014	2,760,214	2,711,210	49,004
Total operating expenses	4,227,029	3,739,004	3,678,911	60,093
Operating income (loss)	(296,029)	334,592	350,736	16,144
Non-Operating Revenues (Expenses):				
Interest income	25,000	41,961	44,337	2,376
Miscellaneous	1,300	21,715	23,519	1,804
Capital outlay	(25,000)	(5,000)	(230)	4,770
Total non-operating revenues (expenses)	1,300	58,676	67,626	8,950
Net change in cash balance	(294,729)	393,268	418,362	25,094
Cash balance, beginning of year	2,284,496	2,284,496	2,284,496	-
Restatement	-	-	18,862	18,862
Restated cash balance, beginning of year	2,284,496	2,284,496	2,303,358	18,862
Investments converted to cash	-	-	33,236	33,236
Cash converted to restricted cash	-	-	(185,702)	(185,702)
Cash balance, end of year	<u>\$ 1,989,767</u>	<u>\$ 2,677,764</u>	<u>\$ 2,569,254</u>	<u>\$ (108,510)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 681,000	\$ 864,310	\$ 861,908	\$ (2,402)
Operating Expenses:				
Personnel services	540,802	559,552	507,540	52,012
General operating	435,471	407,871	328,052	79,819
Total operating expenses	<u>976,273</u>	<u>967,423</u>	<u>835,592</u>	<u>131,831</u>
Operating income (loss)	(295,273)	(103,113)	26,316	129,429
Non-Operating Revenues (Expenses):				
Interest income	1,000	4,825	5,058	233
Miscellaneous	2,500	18,081	19,985	1,904
Gain on sale of assets	-	18,490	18,487	(3)
Capital outlay	(880,600)	(833,357)	(575,197)	258,160
Interest expense	-	-	(37,201)	(37,201)
Total non-operating revenues (expenses)	<u>(877,100)</u>	<u>(791,961)</u>	<u>(568,868)</u>	<u>223,093</u>
Income (loss) before other financing sources (uses)	(1,172,373)	(895,074)	(542,552)	352,522
Other Financing Sources (Uses):				
Capital contributions	838,600	1,502,200	723,305	(778,895)
Transfer (out)	-	-	(22,781)	(22,781)
Debt service - principal	-	(1,147,698)	(510,377)	637,321
Loan proceeds	663,600	-	-	-
Total other financing sources (uses)	<u>1,502,200</u>	<u>354,502</u>	<u>190,147</u>	<u>(164,355)</u>
Net change in cash balance	329,827	(540,572)	(352,405)	188,167
Cash balance, beginning of year	1,137,437	1,137,437	1,137,437	-
Restatement	<u>203,816</u>	<u>203,816</u>	<u>203,816</u>	<u>-</u>
Restated cash balance, beginning of year	1,341,253	1,341,253	1,341,253	-
Investments converted to cash	<u>-</u>	<u>-</u>	<u>773</u>	<u>773</u>
Cash balance, end of year	<u>\$ 1,671,080</u>	<u>\$ 800,681</u>	<u>\$ 989,621</u>	<u>\$ 188,940</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SOLID WASTE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 1,026,000	\$ 1,147,607	\$ 1,143,479	\$ (4,128)
Operating Expenses:				
Personnel services	801,869	827,280	763,565	63,715
General operating	864,157	845,457	532,566	312,891
Total operating expenses	<u>1,666,026</u>	<u>1,672,737</u>	<u>1,296,131</u>	<u>376,606</u>
Operating income (loss)	(640,026)	(525,130)	(152,652)	372,478
Non-Operating Revenues (Expenses):				
Interest income	6,000	10,938	8,674	(2,264)
Miscellaneous	2,400	9,940	9,939	(1)
Capital outlay	<u>(1,690,500)</u>	<u>(1,447,766)</u>	<u>(1,030,723)</u>	<u>417,043</u>
Total non-operating revenues (expenses)	<u>(1,682,100)</u>	<u>(1,426,888)</u>	<u>(1,012,110)</u>	<u>414,778</u>
Income (loss) before other financing sources (uses)	(2,322,126)	(1,952,018)	(1,164,762)	787,256
Other Financing Sources (Uses):				
Capital contributions	1,288,987	1,279,193	1,259,191	(20,002)
Transfer in	-	898,059	-	(898,059)
Transfer (out)	<u>(32,035)</u>	<u>(358,004)</u>	<u>-</u>	<u>358,004</u>
Total other financing sources (uses)	<u>1,256,952</u>	<u>1,819,248</u>	<u>1,259,191</u>	<u>(560,057)</u>
Net change in cash balance	(1,065,174)	(132,770)	94,429	227,199
Cash balance, beginning of year	513,272	513,272	513,272	-
Restatement	<u>711,856</u>	<u>711,856</u>	<u>716,792</u>	<u>4,936</u>
Restated cash balance, beginning of year	1,225,128	1,225,128	1,230,064	4,936
Investments converted to cash	<u>-</u>	<u>-</u>	<u>218</u>	<u>218</u>
Cash balance, end of year	<u><u>\$ 159,954</u></u>	<u><u>\$ 1,092,358</u></u>	<u><u>\$ 1,324,711</u></u>	<u><u>\$ 232,353</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
WATER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Operating Revenues:				
Charges for services	\$ 1,777,500	\$ 1,964,595	\$ 1,723,529	\$ (241,066)
Operating Expenses:				
Personnel services	827,190	873,740	820,130	53,610
General operating	629,807	612,557	487,925	124,632
	<u>1,456,997</u>	<u>1,486,297</u>	<u>1,308,055</u>	<u>178,242</u>
Total operating expenses				
Operating income	320,503	478,298	415,474	(62,824)
Non-Operating Revenues (Expenses):				
Interest income	2,500	15,624	15,857	233
Miscellaneous	30,000	31,854	31,149	(705)
Capital outlay	(466,100)	(528,000)	(416,497)	111,503
Interest expense	-	-	(34,794)	(34,794)
	<u>(433,600)</u>	<u>(480,522)</u>	<u>(404,285)</u>	<u>76,237</u>
Total non-operating revenues (expenses)				
Income (loss) before other financing sources (uses)	(113,097)	(2,224)	11,189	13,413
Other Financing Sources (Uses):				
Capital contributions	448,087	663,887	510,613	(153,274)
Transfer in	-	-	22,781	22,781
Debt service - principal	(1,147,698)	(363,889)	(351,876)	12,013
Loan proceeds	215,800	-	-	-
	<u>(483,811)</u>	<u>299,998</u>	<u>181,518</u>	<u>(118,480)</u>
Total other financing sources (uses)				
Net change in cash balance	(596,908)	297,774	192,707	(105,067)
Cash balance, beginning of year	1,285,350	1,285,350	1,285,350	-
Restatement	<u>-</u>	<u>-</u>	<u>13,573</u>	<u>13,573</u>
Restated cash balance, beginning of year	1,285,350	1,285,350	1,298,923	13,573
Investments converted to cash	<u>-</u>	<u>-</u>	<u>3,586</u>	<u>3,586</u>
Cash balance, end of year	<u>\$ 688,442</u>	<u>\$ 1,583,124</u>	<u>\$ 1,495,216</u>	<u>\$ (87,908)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
AIRPORT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 47,500	\$ 60,564	\$ 60,752	\$ 188
Operating Expenses:				
Personnel services	86,559	93,309	91,694	1,615
General operating	231,499	279,499	230,270	49,229
Total operating expenses	<u>318,058</u>	<u>372,808</u>	<u>321,964</u>	<u>50,844</u>
Operating income (loss)	(270,558)	(312,244)	(261,212)	51,032
Non-Operating Revenues (Expenses):				
Interest income	1,300	2,266	1,336	(930)
Miscellaneous	9,110	154,350	70,185	(84,165)
Capital outlay	<u>(250,000)</u>	<u>(197,611)</u>	<u>(104,508)</u>	<u>93,103</u>
Total non-operating revenues (expenses)	<u>(239,590)</u>	<u>(40,995)</u>	<u>(32,987)</u>	<u>8,008</u>
Income (loss) before other financing sources (uses)	(510,148)	(353,239)	(294,199)	59,040
Other Financing Sources (Uses):				
Capital contributions	397,700	237,724	216,824	(20,900)
Transfer in	<u>115,000</u>	<u>162,611</u>	<u>162,611</u>	<u>-</u>
Total other financing sources (uses)	<u>512,700</u>	<u>400,335</u>	<u>379,435</u>	<u>(20,900)</u>
Net change in cash balance	2,552	47,096	85,236	38,140
Cash balance, beginning of year	69,861	69,861	69,861	-
Restatement	<u>-</u>	<u>-</u>	<u>1,040</u>	<u>1,040</u>
Restated cash balance, beginning of year	69,861	69,861	70,901	1,040
Investments converted to cash	<u>-</u>	<u>-</u>	<u>848</u>	<u>848</u>
Cash balance, end of year	<u><u>\$ 72,413</u></u>	<u><u>\$ 116,957</u></u>	<u><u>\$ 156,985</u></u>	<u><u>\$ 40,028</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CEMETERY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 30,100	\$ 66,008	\$ 65,868	\$ (140)
Operating Expenses:				
General operating	<u>39,543</u>	<u>42,544</u>	<u>27,249</u>	<u>15,295</u>
Operating income (loss)	(9,443)	23,464	38,619	15,155
Non-Operating Revenues (Expenses):				
Interest income	1,000	1,294	1,015	(279)
Miscellaneous	-	250	190	(60)
Capital outlay	<u>-</u>	<u>(69,500)</u>	<u>(69,500)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>1,000</u>	<u>(67,956)</u>	<u>(68,295)</u>	<u>(339)</u>
Net change in cash balance	(8,443)	(44,492)	(29,676)	14,816
Cash balance, beginning of year	118,195	118,195	118,195	-
Restatement	<u>-</u>	<u>-</u>	<u>390</u>	<u>390</u>
Restated cash balance, beginning of year	118,195	118,195	118,585	390
Investments converted to cash	<u>-</u>	<u>-</u>	<u>6,575</u>	<u>6,575</u>
Cash balance, end of year	<u>\$ 109,752</u>	<u>\$ 73,703</u>	<u>\$ 95,484</u>	<u>\$ 21,781</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ 4,029,647	\$ 861,908	\$ 1,143,479
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	3,245	30,284	9,152
Accrual of customer deposit revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	<u>(7,671)</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 4,025,221</u>	<u>\$ 892,192</u>	<u>\$ 1,152,631</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 3,678,911	\$ 835,592	\$ 1,296,131
Differences - Budget to GAAP:			
Changes in the consumable inventories are not accounted for within the budgetary basis. The decrease in inventories increases the operating expenses for financial reporting purposes.	43,282	1,290	-
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	31,355	8,994	5,656
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	(30,487)	6,772	15,483
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	<u>156,062</u>	<u>263,729</u>	<u>157,318</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 3,879,123</u>	<u>\$ 1,116,377</u>	<u>\$ 1,474,588</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 67,856	\$ 43,530	\$ 18,613
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	<u>867</u>	<u>-</u>	<u>24</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 68,723</u>	<u>\$ 43,530</u>	<u>\$ 18,637</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (230)	\$ (612,398)	\$ (1,030,723)
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for capital outlay as a non-operating expense. For financial reporting purposes, the capital outlay expense was reclassified as an operating expense due to the expense not being capitalized by the City.	230	46,307	61,203
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	<u>-</u>	<u>528,890</u>	<u>969,520</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ (37,201)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>
Other Sources of Resources:			
Actual amounts (budgetary basis) "capital contributions" from the budgetary comparison schedule.	\$ -	\$ 723,305	\$ 1,259,191
Differences - Budget to GAAP:			
The City budgets capital contributions within the governmental activities. For financial reporting purposes, the capital contributions are reported within the enterprise fund in which the activity is capitalized.	-	-	(98,000)
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ 723,305</u>	<u>\$ 1,161,191</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -	\$ (22,781)	\$ -
Actual amounts (budgetary basis) "debt service - principal" from the budgetary comparison schedule.	-	(510,377)	-
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for the principal payment as a reduction of debt expenditure. For financial reporting purposes, the payment of debt is reflected as a reduction of a liability.	-	510,377	-
Total other (uses) of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ (22,781)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ 1,723,529	\$ 60,752	\$ 65,868
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	22,499	1,492	(2,710)
Accrual of customer deposit revenues and associated receivables receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	<u>53,145</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 1,799,173</u>	<u>\$ 62,244</u>	<u>\$ 63,158</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 1,308,055	\$ 321,964	\$ 27,249
Differences - Budget to GAAP:			
Changes in the consumable inventories are not accounted for within the budgetary basis. The increase in inventories increases the operating expenses for financial reporting purposes.	46,539	-	-
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	24,380	5,379	1,522
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the the budgetary basis but are expenses for financial reporting purposes.	(4,065)	(11,943)	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>263,310</u>	<u>70,705</u>	<u>894</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 1,638,219</u>	<u>\$ 386,105</u>	<u>\$ 29,665</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 47,006	\$ 71,521	\$ 1,205
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	<u>(224)</u>	<u>(69,492)</u>	<u>59</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 46,782</u>	<u>\$ 2,029</u>	<u>\$ 1,264</u>
Uses/Outflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (451,291)	\$ (104,508)	\$ (69,500)
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for capital outlay as a non-operating expense. For financial reporting purposes, the capital outlay expense was reclassified as an operating expense due to the expense not being capitalized by the City.	95,263	-	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	<u>356,028</u>	<u>104,508</u>	<u>69,500</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Cemetery Fund</u>
Other Sources of Resource:			
Actual amounts (budgetary basis) "capital contributions" from the budgetary comparison schedule.	\$ 510,613	\$ 216,824	\$ -
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule	22,781	162,611	-
Differences - Budget to GAAP:			
The City budgets capital contributions within the business-type activities. For financial reporting purposes, the capital contributions are reported within the enterprise fund in which the activity is capitalized.	<u>(69,445)</u>	<u>25,149</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in the statement of revenues, expenses and changes in fund net assets.	<u>\$ 463,949</u>	<u>\$ 404,584</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers out" from the budgetary comparison schedule.	\$ -	\$ -	\$ -
Actual amounts (budgetary basis) "debt service - principal" from the budgetary comparison schedule.	(351,876)	-	-
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for the principal payment as a reduction of debt expenditure. For financial reporting purposes, the payment of debt is reflected as a reduction of a liability.	<u>351,876</u>	<u>-</u>	<u>-</u>
Total other (uses) of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES FOR THE AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>06/30/09</u>	<u>Increase/</u> <u>Receipts</u>	<u>Decrease/</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/10</u>
Local Government				
Corrections Fund				
Assets:				
Cash	\$ -	\$ 44,572	\$ 44,572	\$ -
Liabilities:				
Held for others	\$ -	\$ 44,572	\$ 44,572	\$ -
United Industries Fund				
Assets:				
Cash	\$ 6,445	\$ -	\$ 6,445	\$ -
Interest receivable	743	-	743	-
Total assets	<u>\$ 7,188</u>	<u>\$ -</u>	<u>\$ 7,188</u>	<u>\$ -</u>
Liabilities:				
Held for others	<u>\$ 7,188</u>	<u>\$ -</u>	<u>\$ 7,188</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2010**

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
1st New Mexico Bank P.O. Box 511 Deming, New Mexico 88031-0706				
Checking and Savings Accounts:				
General Fund	Checking	\$ 2,126,825	\$ (346,202)	\$ 1,780,623
Money Market/General Fund	Checking	1,229,451	-	1,229,451
Payroll Clearing Account	Checking	70,897	(70,897)	-
CDBG 2008/2009	Checking	100	-	100
CDBG Planning 2008/2009	Checking	24,638	-	24,638
Judicial Bond Fund/Public Fund	Checking	1,477	850	2,327
Judge Trust Fund	Checking	15,154	409	15,563
Ambulance Billing Fund	Checking	17,577	127	17,704
Golden Savings	Savings	<u>5,482,806</u>	<u>-</u>	<u>5,482,806</u>
Total checking and savings account		8,968,925	(415,713)	8,553,212
Time Deposits:				
Certificate of deposit	Time Deposit	7,449	-	7,449
Certificate of deposit	Time Deposit	<u>1,005</u>	<u>-</u>	<u>1,005</u>
Total time deposits		<u>8,454</u>	<u>-</u>	<u>8,454</u>
Total 1st New Mexico Bank deposits		<u>\$ 8,977,379</u>	<u>\$ (415,713)</u>	<u>\$ 8,561,666</u>
First Savings Bank 520 S. Gold Deming, New Mexico 88030				
Checking Accounts:				
Utility Operating Fund	Checking	\$ 2,559,321	\$ 10,704	\$ 2,570,025
Meter Deposit Fund	Checking	<u>318,597</u>	<u>(44,065)</u>	<u>274,532</u>
Total checking accounts		2,877,918	(33,361)	2,844,557
Time Deposits:				
Certificate of deposit	Time Deposit	2,514	-	2,514
Certificate of deposit	Time Deposit	100,950	-	100,950
Certificate of deposit	Time Deposit	100,950	-	100,950
Certificate of deposit	Time Deposit	100,950	-	100,950
Certificate of deposit	Time Deposit	200,937	-	200,937
Certificate of deposit	Time Deposit	200,927	-	200,927

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF CASH ACCOUNTS
(CONCLUDED)
JUNE 30, 2010

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Time Deposits (continued):				
Certificate of Deposit	Time Deposit	244,980	-	244,980
Certificate of Deposit	Time Deposit	95,440	-	95,440
Certificate of Deposit	Time Deposit	100,480	-	100,480
Certificate of Deposit	Time Deposit	100,479	-	100,479
Certificate of Deposit	Time Deposit	95,455	-	95,455
Certificate of Deposit	Time Deposit	100,479	-	100,479
Total time deposits		<u>1,444,541</u>	<u>-</u>	<u>1,444,541</u>
Total First Savings Bank deposits		<u>\$ 4,322,459</u>	<u>\$ (33,361)</u>	<u>\$ 4,289,098</u>
Multi-Bank Securities, Inc. 24280 Woodward Avenue Pleasant Ridge, MI 46069				
Money-Market Account	Checking	<u>\$ 195,875</u>	<u>\$ -</u>	<u>\$ 195,875</u>
Wells Fargo, N.A. 223 S. Gold Deming, New Mexico 88030				
General Fund	Checking	<u>\$ 3,995</u>	<u>\$ -</u>	<u>\$ 3,995</u>

**STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2010**

1st New Mexico Bank
P.O. Drawer 511
Deming, New Mexico 88031-0511

Security	CUSIP	Maturity	Market Value	Par Value
FHLB	3133X9DC1	11/14/14	\$ 2,198,986	\$ -
FFCB	31331VA30	08/01/11	1,170,366	-
FHLB	3133MNVV0	08/01/12	1,093,014	-
FNMA	31359MSL8	07/17/13	1,089,680	-
FHLMC	3128X9H29	03/16/15	1,013,924	-
FHLB	3133M6VF2	08/01/11	887,939	-
Dexter NM	252345CU5	08/01/10	-	50,000
Dexter NM	252345CV3	08/01/11	-	85,000
Artesia	04310KAL6	05/12/12	-	500,000
Catron & Cibola Counties	149321BP5	07/15/13	-	120,000
Socorro	833681AM1	08/01/13	-	100,000
Clovis	189387BM4	06/01/15	-	145,000
Bernalillo	085279LW5	08/01/16	-	450,000
Sandoval County NM	80004PCU4	12/15/17	-	345,000
Chaves County	162634BN8	08/01/18	-	500,000
Ruidoso	781338GM4	08/01/20	-	45,000
Total			<u>\$ 7,453,909</u>	<u>\$ 2,340,000</u>

The holder of the security pledged is TIB, P.O. Box 560528, Dallas, Texas 75356-0528.

First Savings Bank
520 S. Gold Avenue
Deming, New Mexico 88031

Security	CUSIP	Maturity	Market Value
MBS FNMA 10 Yr	31371NGQ2	07/01/17	\$ 252,093
FHR 2841 BJ	31395ES32	04/15/18	452,127
MBS FNMA 15 Yr	31403X4P7	09/01/19	412,430
MBS FHLMC 15 Yr. Relocation	31282CA98	04/01/20	400,612
MBS FHLMC Gold 15 Yr	3128MBBB2	06/01/20	583,265
MBS FNMA 15 Yr.	31410GBG7	06/01/22	687,812
FHR 2941 AJ	31395PRU8	03/15/35	1,184,286
FHR 3048 PC	31396CSM3	03/15/35	248,207
Total:			<u>\$ 4,220,832</u>

The holder of the securities pledged by First Savings Bank is First National Bank Pierre, 125 W. Sioux Avenue, P.O. Box 730, Pierre, SD 57501, and U.S. Bank National Association, 800 Nicollet Mall BC-MN-H18R, Minneapolis, MN 55402.

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

**STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Agriculture				
Rural Development Empowerment Zones and Economic Communities	10.772	36-15-856000121	2,500,000	\$ 173,415
Rural Development Empowerment Zones and Economic Communities	10.772	36-15-856000121	124,963	<u>124,963</u>
Total U.S. Department of Agriculture				298,378
U.S. Department of Housing and Urban Development/Passed through New Mexico Department of Finance and Administration				
Community Development Block Grant	14.228	08-C-NM-I-1-G-02	44,000	44,000
Community Development Block Grant	14.228	08-C-NM-I-1-G-12	450,000	86,140
Community Development Block Grant	14.228	08-C-NM-I-1-G-45	40,500	<u>37,527</u>
Total U.S. Department of Housing and Urban Development/Passed through NM Department of Finance and Administration				167,667
U.S. Department of Justice/Passed through Luna County, New Mexico				
Congressionally Recommended Awards	16.753	2009-D1-BX-0266	37,500	37,500
U.S. Department of Justice				
ARRA-FY2009 Recovery Act JAG Program	16.804	2009-SB-B9-3308	20,665	<u>14,334</u>
Total U.S. Department of Justice				51,834
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	3-35-0013-011-2007	2,075,647	62,657
Airport Improvement Program	20.106	3-35-0013-011-2009	179,323	<u>149,800</u>
Total U.S. Department of Transportation/ Federal Aviation Administration				212,457
U.S. Environmental Protection Agency				
ARRA - Section 595 of the Water Resources Development Act of 1999	66.418	W81G6992263515	871,878	871,878
U.S. Department of Energy				
ARRA - Energy Efficiency & Conservation Block Grant	81.128	DE-EE0000681	50,000	<u>12,000</u>
Total Expenditures of Federal Awards				<u>\$ 1,614,214</u>

**STATE OF NEW MEXICO
CITY OF DEMING**
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Deming (City). The City is defined in Note 1 of the City's financial statements.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1, to the City's financial statements. All governmental expenditures of the City of Deming (primary government) are presented in accordance with the modified accrual basis of accounting.

3. NON-CASH ASSISTANCE

During the current fiscal year, the City did not expend any federal non-cash assistance. The City did not receive any federal assistance related to insurance nor did they have any loans or loan guarantees outstanding at year end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to \$1,614,214. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund			
Public safety	\$	51,834	
Special Revenue Funds			
<u>Street Fund</u>			
Public works		12,000	
<u>Mimbres Valley Authority Fund</u>			
Health and welfare		298,378	
Capital Projects Funds		Proprietary Funds	
<u>CDBG 2008/2009 Option Fund</u>			
Capital outlay	44,000	<u>Sewer Fund</u>	
		Capital outlay	581,848
<u>CDBG Plan Grant Fund</u>			
Health and welfare	37,527	<u>Water Fund</u>	
		Capital outlay	290,030
<u>CDBG 2008/2009 Fund</u>			
Capital outlay	86,140	<u>Airport Fund</u>	
		General operating	86,140
		Capital outlay	59,593
			<u><u>\$ 1,614,214</u></u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
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Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards*

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
City of Deming
Deming, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the general fund, and major special revenue fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City of Deming, New Mexico as of and for the year ended June 30, 2010, and have issued our report thereon dated February 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting as items 2007-06, and 2009-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance, or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items, 2007-06, 2009-02, 2009-04, 2009-05, and 2009-12.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 2009-08 and 2010-01.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management, others within the City, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 11, 2011

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Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
City of Deming
Deming, New Mexico

Compliance

We have audited the City of Deming, New Mexico's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Deming's major federal programs for the year ended June 30, 2010. City of Deming's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Deming's management. Our responsibility is to express an opinion on City of Deming's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Deming's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Deming's compliance with those requirements.

In our opinion, the City of Deming complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of City of Deming is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Deming's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Deming's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the City Council, management, others within the City, the New Mexico State Auditor, New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 11, 2011

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-06 – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2010, was due to the New Mexico state auditor's office by December 1, 2010. The audit report was submitted on March 10, 2011.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* requires that the City submit its audit report by December 1st following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – For the past four fiscal years, including the current year, the City has not submitted their audit report on a timely basis to the New Mexico state auditor's office for various reasons. One of the main reasons for the delays can be attributed to the accounting software utilized by the municipality. For the fiscal year ended June 30, 2007, the City changed their vendor who provided the accounting software and support services. After two years in which the City was unable to satisfactorily get the software to perform properly, the municipality opted to return to their original software provider. The current software conversion was completed during the fiscal year ended June 30, 2010, and now the City has accounting software that is fully functional.

After the completion of the audit report for the fiscal year June 30, 2009, which was approved by the New Mexico state auditor on July 31, 2010, the City administration realized that a change in the approach of the audit was needed. In the past, the City completed their year-end cash basis reports and balances and expected their independent auditor to make all necessary entries to convert the accounting balances from cash basis to full accrual, in order to prepare financial statements in accordance with generally accepted accounting principles (GAAP).

The City began their preparation for the current year's audit by obtaining copies of the prior year audit work papers that detailed items related to the statement of position as of June 30, 2009. During July 2010, the municipality sent the assistant treasurer, budget analyst and city accountant to a four day continuing education class on governmental accounting, financial reporting and governmental auditing. The City engaged a local certified public accountant to assist in year-end GAAP entries. On August 6, 2010, an entrance conference was held to discuss the projected time line of the audit field work, and the documents to be prepared by the municipality.

During early October 2010, the auditing firm was informed that the City had reached a point in their preparation and auditing procedures could begin. The auditing firm began the audit field work on October 4, 2010 and continued during November 2010; however, the firm realized the City preparation was not complete, and much more work was required before the audit could be completed. On November 5, 2010, the City informed the New Mexico state auditor's office, in accordance with the State Auditor Rule, that the audit report would not be submitted by December 1, 2010.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2007-06 – Submission of Audit Report (continued)

Recommendation – The City should be commended for their efforts to improve the audit process. The City has provided additional training and resources to the accounting staff in an effort to meet the required due date. This new approach has caused additional time to be expended in the initial year; however, in future years, the process should be completed more efficiently. We recommend the City complete all GAAP year-end entries no later than sixty days after year-end. If that deadline is met, the auditing firm will have ample time to perform and complete the process by the required due date.

Views of Responsible Officials and Planned Corrective Actions – A timely audit was a priority item for management this year. Management was intent upon breaking the cycle of three late audits and was willing to dedicate the resources to accomplish that end. On August 8, 2010, an entrance conference was held and work papers and timetables were agreed upon. On October 4, 2010, staff was prepared for the auditors. As the audit progressed, it became evident that additional work papers were being requested and work papers already submitted were being returned for reformatting. Staff had prepared their work papers in the same format as the previous year with the same auditors. One of the auditors stated that they were giving staff additional work papers that the auditors previously completed. These actions by the auditor created a delay for the auditor waiting on staff to complete additional tasks during the fieldwork period. Had we been given all the work papers requested by the auditors prior to the commencement of fieldwork, we would have dedicated the resources to complete them in a timely manner.

By these actions, it was evident to the City that the audit team was understaffed this year. The condition was not revealed to the City until fieldwork commenced. The auditor staffing level changed from a team of five members the previous year to a team of three for the current audit. The audit firm is small and the loss of approximately half of their staff accountants left them without the resources to fulfill their commitments. On November 5, 2010, management was informed by the auditor that the audit would be late. With so little time between November 5th and the end of the month there was not sufficient time to implement a strategy to avoid another late audit. Discussions with the auditor indicated he would have the audit to a point that management could start the Management Discussion and Analysis by December 15, 2010 and submit the audit to the state by the end of December. After the end of December, management could not obtain a commitment from the auditors. We finally received draft audit results for management to prepare the Management Discussion and Analysis on February 16, 2011. We received draft of the audit findings for management response on February 22, 2011.

Yes, the audit is late. Management thinks it was avoidable. Had the auditors presented management with all the work papers prior to fieldwork and dedicated sufficient audit resources to the client, the audit could have been on time.

Auditing Firm Response – The City's response to the audit finding is incomplete and inaccurate. As we have explained above, and the City does not dispute, they were provided copies of audit work papers that detailed amounts reflected in the statement of financial position as of June 30, 2009, along with other key financial information related to the statement of changes in financial position.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2007-06 – Submission of Audit Report (continued)

Auditing Firm Response (continued) – Our understanding was that the City was to create worksheets that would support the final 2010 financial statements. The City provided us with assurances at the entrance conference that they understood what was needed; as they had invested in additional training and had engaged a local accountant to assist in the project. From the entrance conference until the start of the field work, we had little contact with the City staff as they prepared for the audit. When we began the audit field work, we discovered very quickly that the majority of the worksheets prepared by the City were incomplete or incorrect. Worksheets incorrectly produced were given back to the City. Sometimes the worksheet was returned to the City more than once. We have detailed two examples of problems encountered:

- **Utility Inventory** – The City’s physical inventory was observed at year-end by the auditing firm, and the auditing firm retained copies of the count sheets prepared by the client. The utility department was reminded the auditing firm would need a copy of the final inventory that would contain items on hand, the historical cost of each item, and the total cost of each type item. When we requested the final inventory, we were presented with the inventory as of the date of request, rather than June 30, 2010. We returned the inventory to the City, explained the problem and what was needed. The City returned it to us stating the original inventory, as of June 30, 2010 had been lost or misplaced, and they could not reproduce the report as the electronic data files as of June 30, 2010 had not been retained and their computer software did not have the capability to produce the information as of June 30, 2010. The City was instructed to recreate the inventory using reports printed as of year-end. When we examined the recomputed inventory, we discovered the reports were incorrect. At that point, as the finance department became frustrated, the assistant treasurer volunteered to compute the inventory. The issue was resolved at that point.
- **Compensated Absences Liability** – Within the audit report, as required by GAAP, the City must include a financial disclosure regarding the beginning liability of the governmental and business type activities, increases, decreases, and the ending liability by each type. This requirement to report such data has been known by the government reporting community for years. The original work sheet provided to us was incorrect, as it contained many errors. We discovered that the City accounting staff had changed the location of several employees within their records. The staff failed to give proper consideration to the changes made. Additionally, the worksheet prepared contained obvious errors that indicated the staff did not have an understanding as to the purpose of the worksheet, and how the information gathered would be used in the audit report. The worksheet was returned, and the second effort again proved to be incorrect. The auditing firm had to expend additional hours working on a one-on-one basis with the staff explaining what was needed, and how to accomplish the goal of the proper amounts being calculated and ultimately reported within the financial statements.

The City’s response states the following: *“One of the auditors stated that they were giving staff additional work papers that the auditors previously completed.”*

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2007-06 – Submission of Audit Report (continued)

Auditing Firm Response (continued) – *These actions by the auditor created a delay for the auditor waiting on staff to complete additional tasks during the fieldwork period. Had we been given all the work papers requested by the auditors prior to the commencement of fieldwork, we would have dedicated the resources to complete them in a timely manner.*” The **only** reason a worksheet was returned, was because it was either incorrect or incomplete. No additional worksheets were requested that did not provide supportive documentation of amounts reflected within the financial statements.

The City’s response is critical of the auditing firm staff assigned to the engagement, and states that was the cause for the delay. The City states that our firm was “*understaffed*”. Once again that is an inaccurate statement made by the City. Staffing is relative to the time committed to a project. Any changes to entry level staffing did not change the composition of the upper management of our firm. Our change in internal staffing structure had no impact on the completion of the audit on a timely basis, as we were committed to meet the deadline imposed by the audit contract and we expended the hours to support our commitment. We allocated the proper hours and time period with the assumption that the City staff would complete their accounting records in a complete, accurate manner and on a timely basis. In our original proposal to the City, and in the audit contract, we agreed to perform the audit expending 570 hours to complete the engagement. As of November 5, 2010, our firm had expended a total of 329.20 hours on the City’s engagement or 58% of the contracted hours. If the records and worksheets prepared by the City were executed correctly, we would have had ample time to complete the audit report on a timely basis. However, after all those audit hours were expended, we understood the City’s records were not ready for audit and the report was not going to meet the required due date.

In their response, the City continues to criticize the effort put forth by the auditing firm by emphasizing that they did not receive the information needed for the management and discussion analysis until February 16, 2011, and the audit findings until February 22, 2011. The City states they had been told by Ed Fierro, CPA that they would receive the information by December 15, 2010. While that statement is correct, Mr. Fierro underestimated how much additional labor was going to be required because of the conditions of the City’s accounting records, and the lack of information from the City’s staff. In fact, as of the date of submission to the state auditor’s office, the auditing firm will have expended over 850 hours on the engagement. Given the holiday period in December and the beginning of the new calendar year, along with the availability of the City accounting staff, the audit process was not completed until late February 2011.

In order to meet the December 1st deadline, the auditing firm would have been required to complete 520 hours within three weeks of November. Not included within that time expended by the auditing firm, is additional time expended by the City staff in answering questions and gathering further information. Given the contracted hours and our expended hours in the months of October and November, the auditing firm met their obligation. The delay of the submission of the report on December 1, 2010 rests solely with the City staff, and their inability to maintain the accounting records and supporting documentation in a proper manner.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Preparation of Financial Statements and Disclosures

Statement of Condition – As mentioned in Item 2007-06, the City has made a serious effort to prepare for the audit and assist the independent public auditor (IPA) in the preparation of financial statements. The City's approach for the current year's audit, was for the accounting staff to complete the cash basis accounting balances and prepare key financial data. The IPA would then be able to convert the cash basis amounts and balances to accrual basis in order to prepare the financial statements. City accounting personnel have made vast improvements in understanding the audit process, gathering accrual information, along with assisting the IPA; however, we discovered the staff lacks a complete understanding of governmental financial reporting. Additionally, the staff has made accounting errors and missed items that could have caused the current year's financial statements to be misstated. An example of some of the errors and deficiencies encountered are as follows:

- Within the cash basis balances, the City failed to properly record occurring cash transactions related to the debt owed to the New Mexico Finance Authority. The City's records reflected the principal and interest paid to the finance authority as transfers. By incorrectly identifying the activity as transfers, the municipality records failed to identify debt activity and the transfer accounts between the funds was not in balance. Additionally, the accounting staff failed to record cash transactions in the trust accounts within the original books of entry of the municipality.
- During the fiscal year, the City failed to correctly record the transfer of funds between the MVA fund and other City funds. The City recorded expenditures in the MVA fund and revenues in other City funds, rather than transfers in and transfers out within the respective funds. The effect of such accounting entries was to overstate revenues and expenditures of the municipality.
- The City has two governmental capital project funds to account for revenues and expenditures related to capital activity for the sewer and solid waste funds. According to GAAP, governmental capital projects funds should only be used for capital activity related to governmental activities. Additionally, the City established budget authority within the governmental capital projects funds. For both budgetary and financial reporting purposes, the transactions should have been recorded in the respective enterprise funds.
- The City failed to authorize budget authority for the municipal court judicial checking account and the municipal court bond checking account. The City failed to record the activity for both accounts, and only records the fees collected from the previous month that are remitted to the City and administrative office of the courts. The City's accounting records lag by one month, and year-end balances do not reflect the ending balances within the general ledger.
- For budgetary purposes, the City has created multiple line items that record the payments to the City for a utility deposit; a line item used to record the payment back to the customer, and a line item to record the deposit forfeited to the City for an outstanding balance.

**STATE OF NEW MEXICO
CITY OF DEMING**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Preparation of Financial Statements and Disclosures (continued)

Statement of Condition (continued) –

While such accounting is permissible for the cash basis of accounting, it would not be acceptable for financial reporting. The City failed to reconcile the net change reflected on the budgetary revenues and expenditures with the net change in the customer utility deposits reflected for financial reporting.

- A similar transaction and method of accounting occurred during the fiscal year for the receipt and disbursement of governmental gross receipts taxes. For budgetary purposes, the City is recording the receipts of such taxes as revenue and the payment of as expenditures. For financial reporting, the taxes are neither income for the City, nor are they an expense. The City is merely an intermediary between their utility customers and the state of New Mexico for payment of gross receipts taxes. The City failed to reconcile the beginning of year liability with the amounts reflected on the income statements and the ending liability.

Based on our evaluation of the accounting errors, incorrect application of required GAAP, along with our discussion with the accounting staff, we have concluded that the City has not reached a level of expertise to comprehend the differences between the budgetary basis of accounting and GAAP financial reporting. Further, the City staff lacks a complete understanding of financial reporting as required by GAAP. As such, there is a weakness in internal control related to financial reporting required by GAAP.

Criteria – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: “*Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity’s objective of reliable financial reporting.*”

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP, or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 112 paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is “*The nature of the financial statements accounts, disclosures, and assertions involved.*”

**STATE OF NEW MEXICO
CITY OF DEMING**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Preparation of Financial Statements and Disclosures (continued)

Criteria (continued) – SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states “*A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected or corrected on a timely basis.*” SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is “*Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.*”

Furthermore, the New Mexico State Auditor Rule Section 2.2.2.8J (2) states, “***The financial statements are the responsibility of the agency. The agency shall maintain adequate accounting records, prepare financial statements in accordance with accounting principles generally accepted in the United States of America, and provide complete, accurate, and timely information to the IPA as requested to meet the audit report due date imposed in Subsection A of 2.2.2.9 NMAC.***”

Effect – Since City personnel has failed to demonstrate a level of expertise regarding governmental financial reporting, there is an increased risk that a misstatement of the City’s financial statements, that is more than inconsequential, will not be prevented or detected.

Cause – Generally speaking, state and local governments within New Mexico have not placed a great deal of emphasis on financial reporting in accordance with GAAP. The emphasis required by the New Mexico Department of Finance and Administration has been on budgetary basis of accounting, which in the state of New Mexico is the cash basis of accounting. The City of Deming has been a typical New Mexico municipality in regards to financial reporting. In the past, the City would provide the IPA all the cash basis records, and balances and allowed the IPA to determine the amounts needed for financial reporting.

The City administrator recognized the approach taken in the past is not sufficient, and has made a strong effort to change the mindset, and culture, regarding financial reporting within the City. He has also made the realization that the accounting staff needs additional training and resources in order to prepare the financial statements. As detailed earlier in Item 2007-06, the City has begun the process of improving its financial reporting in accordance with GAAP. This process has not been completed in one audit cycle, and will take some time for the staff to reach a level of expertise that will meet the requirements of the state auditor and SAS 115.

Recommendation – We applaud the efforts of the City administrator, and all of the accounting staff of the City. We suggest they continue in their efforts to improve the financial reporting performed by the City. For the next fiscal year, the City should post all GAAP entries and begin the process of preparing the financial statements.

Views of Responsible Officials and Planned Corrective Actions – Management feels that this finding violates an understanding of all parties at the audit entrance meeting of August 8, 2010. This is a repeat violation of a finding noted last year. As a result of last year’s finding, management instituted changes to eliminate the finding. The changes included staff training and the hiring of Richard L. Patterson, CPA to assist the City in preparing our own financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Preparation of Financial Statements and Disclosures (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – However, at the noted audit entrance meeting, the auditors informed staff that they would prepare the audit financials and that staff would only need to prepare the normal work papers. This is not what we had been led to believe would be the City's scope of work because of the previous finding. We asked that their intent be clarified and they restated that they would convert the cash basis accounting system using our normal work papers to produce GAAP financials. The City's accounting staff, Richard L. Patterson, CPA, and Ed Fierro, CPA, representing the auditors, were present at the meeting. As a result of the change in scope for the City, Richard Patterson's services were not utilized to convert from cash basis to GAAP.

In any audit, errors are discovered. That is one of the primary benefits of an audit. For the errors sited above, the auditors usurped the City's opportunity to discover and adjust those errors using Mr. Patterson's services when the auditors changed the City's level of involvement in preparing GAAP financials. The auditors want the City to increase their level of expertise in an area they don't want the City to perform.

The City of Deming is confused. We are receiving a finding for not preparing GAAP financials when we were told by the auditors that they would prepare the GAAP financials.

Audit Firm's Response – Prior to the selection of the auditing firm, for the current fiscal year, the City administrator called the audit engagement partner, Mr. Ed Fierro, CPA, and asked for further clarification regarding the prior year's audit finding concerning the weakness in internal control over financial reporting. Mr. McInturff was in a panic, stating his organization would be unable to produce financial statements in accordance with GAAP yet he wanted the audit finding removed. He demanded assurance from Mr. Fierro that his firm would continue to prepare the financial statements as required by the audit contract. Mr. Fierro explained that both SAS 112 and SAS 115 did not require the City actually prepare the financial statements, but they must have an understanding on how the amounts reflected in the statements were created, as we have detailed in the criteria section of the audit finding. Mr. Fierro further explained, if the City prepared all the worksheets that supported all the GAAP amounts reported, they would meet the requirements of both SAS's and the audit finding could be removed. In essence, the City prepared the financial statements by creating the GAAP supporting documentation, and the auditing firm would simply post the proper adjusting entries to the trial balances. At no point did Mr. Fierro attempt to impede or discourage the City from preparing their financial statements, as this would have been contrary to the New Mexico State Auditor's Rule. Mr. McInturff told Mr. Fierro that he preferred the auditing firm continue to prepare the financial statements, and his staff would gather all the amounts necessary for the GAAP reporting.

The auditing firm was very supportive of the City's decision to engage a local accounting firm to assist the City with their year-end GAAP balances. The auditing firm was unaware of the City's decision not to utilize the services of the local accounting firm until the commencement of the audit field work. During the entrance conference, in the presence of representatives of the governing board; including the mayor, key members of the City's finance department, and Mr. Patterson, Mr. McInturff never expressed his desire to have the assembled staff, and external accounting support, prepare the financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Preparation of Financial Statements and Disclosures (continued)

Audit Firm’s Response (continued) – The financial statements are the sole responsibility of the City. They must prepare the financial statements themselves, engage an accounting firm, or request the auditing firm to prepare them, as they did in the current year. If the City felt the auditing firm was changing the “scope” as referred to above, they had the responsibility to inform the auditing firm of their desire to actually prepare the financial statements. This sentiment should have been brought forth prior to the commencement of the auditing procedures, and not at the end of the process.

As stated in the statement of condition, there are six separate paragraphs that detail examples of errors and deficiencies encountered during the audit process. Those examples provide sufficient support to our conclusion that a material weakness in internal control regarding financial reporting exists within the City as of June 30, 2010.

Item 2009-04 – Bank Depositories

Statement of Condition – The City maintains cash in interest bearing accounts in two separate financial institutions, and such deposits were not invested in a ratio based upon the financial institution’s total deposits.

Criteria – Section 6-10-36C NMSA 1978 states in part, “*Public money placed in interest-bearing deposits in banks and savings and loan associations shall be equitably distributed among all banks and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the governmental unit that have qualified as public depositories. The deposits shall be in the proportion that each bank’s or savings and loan association’s deposits bear to the total deposits of all banks and savings and loan associations.*”

Effect – Non-compliance with New Mexico state statutes subjects City officials and personnel to punishment, as defined by state statutes.

Cause – Although City staff was aware of the requirements of Section 6-10-36C, the City did not make any changes to the ratio of their interest bearing accounts, due to a lack of cooperation from the financial institutions in receiving their deposit totals.

Recommendation – We suggest that the City place more of an emphasis in getting the banking institutions to cooperate and provide the required information. Alternatively, the City may be able to secure the information from federal or state agencies that regulate the banks. Once the information is obtained, the investments at the banks can be adjusted as deemed necessary.

Views of Responsible Officials and Planned Corrective Actions – The City has made a good faith effort to comply with the above mentioned statute. Local bank branches have proved to be uncooperative in disclosing information. They do not want to disclose their information for competitive reasons.

**STATE OF NEW MEXICO
CITY OF DEMING**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-04 – Bank Depositories (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – Later, in the same statute cited above, it states, “The director of the financial institutions division of the regulation and a licensing department shall promulgate a formula for determining the deposits of bank’s main offices and branches for the purpose of distribution of public monies.” The Director of the Financial Institutions Division was contacted in November of 2010 and he stated that there is ‘no such formula.’

The City wishes to comply but, if the local banks are uncooperative and a state agency is not providing the required statutory formula, it appears the City is blocked from compliance. It should be noted that under 6-10-36E NMSA 1978 a depository forfeits its right to an equitable share if it does not meet or exceed the interest on US Treasury Bills of the same term.

It is management’s view that this statute should be amended legislatively to allow for easier compliance.

Item 2009-05 – Cash Held by Financial Institutions and Collateral of Public Monies

Statement of Condition – The City maintains investments at Multi-Bank Securities Incorporated. At June 30, 2010, investments in the amount of \$195,000 matured and were held in a cash account. The cash, which totaled \$195,875, held at Multi-Bank Securities Bank, was not deposited within a qualified depository or insured by the FDIC or securities pledged that meet the eligibility requirements of New Mexico state statutes.

Criteria – This placement of the idle cash within the investment agency violates two separate sections of New Mexico state statutes.

- (1) New Mexico State Statutes Section 6-10-10B NMSA 1978 allows municipal treasurers to deposit cash in non-interest-bearing checking accounts within banks, designated as checking depositories, located within the geographical boundaries of the governmental unit.
- (2) New Mexico State Statutes Section 6-10-16 NMSA 1978 states that public deposits shall be secured with one of the following:
 1. *“securities of the United States, its agencies or instrumentalities;*
 2. *securities of the state of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions;*
 3. *securities, including student loans, that are guaranteed by the United States or the state of New Mexico;*
 4. *revenue bonds that are underwritten by a member of the national association of securities dealers, known as "N.A.S.D.", and are rated "BAA" or above by a nationally recognized bond rating service; or*
 5. *letters of credit issued by a federal home loan bank.”*

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-05 – Cash Held by Financial Institutions and Collateral of Public Monies (continued)

Effect – Non-compliance with New Mexico state statutes subjects the City’s officials and personnel to punishment as defined by state statutes.

Cause – The City did not communicate with Multi-Bank Securities Inc., prior to maturity of the original investments, to either transfer or re-invest the investment into a qualifying account, when matured on June 30, 2010. Therefore, \$195,875 was not insured on June 30, 2010.

Recommendation – We suggest that City staff monitor when an investment matures and ensures that said investment is either immediately returned to the City or reinvested on the date of maturity. Additionally, the City should ensure that no cash is held by the Multi-Bank Securities Inc. during the fiscal year.

Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding and will follow the auditor’s recommendation.

Item 2009-08 – Travel and Per Diem

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was twenty-five transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were eleven instances that required mileage (actual or per diem) reimbursement. All eleven instances had the mileage reimbursement rate calculated incorrectly, due to changes to the Travel and Per Diem Act, implemented by the New Mexico Department of Finance and Administration via a memorandum issued to all governmental entities throughout New Mexico. For all eleven instances, the employee was underpaid. The variance totaled \$398.
- We noted two instances of the twenty-five transactions tested, where the employee’s reimbursement for meals was greater than the \$30 limit in a twenty-four hour period.
- We noted one instance of the twenty-five transactions tested, where an elected official was reimbursed for both mileage and actual fuel expenses.

Criteria – The New Mexico Department of Finance and Administration has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

On June 19, 2009, the New Mexico Department of Finance and Administration issued a memorandum to all governmental entities, including municipalities, concerning an immediate increase in the mileage reimbursement rate for all employees.

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CITY OF DEMING**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-08 – Travel and Per Diem (continued)

Criteria (continued) – The emergency amendment states, “*HB 336 amended Section 10-8-4 D NMSA 1078 of the Per Diem and Mileage Act to increase the current statutory mileage reimbursement rate of \$0.32 per mile up to a new maximum statutory mileage reimbursement rate – the Internal Revenue Service (“IRS”) standard mileage rate “set January 1st of the previous year.” The IRS rate on January 1, 2008 (“the previous year”) was \$.505 per mile. Therefore, this emergency amendment to the Rule states your local government shall, effective immediately, reimburse your local public bodies’ public officers and employees for mileage accrued in the use of a privately owned vehicle in the discharge of official duties at a rate of eighty percent of \$0.505 per mile.*” Section 10-8-4(K) (2) NMSA 1078 states, “*Actual expenses for meals are limited to a maximum of \$30.00 for in-state travel for a 24-hour period.*” Furthermore, City policy concerning travel and per diem states the City will follow Department of Finance and Administration rules and regulations.

Effect – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Cause – The instances where the rate was calculated incorrectly, was due to not knowing the rate had increased. Staff had no recollection of any notification from the Department of Finance and Administration, and amounts paid were less than they should have been. The instances where reimbursement was greater than \$30 per day, and the one occasion where an elected official was paid both mileage and gas reimbursement, were both attributed to human error in calculating the reimbursement.

Recommendation – We recommend review of the memorandum issued by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates. We also suggest the City try to determine the DFA memorandum was not received. If the non-receipt was due to City error, the City should establish procedures to prevent such an error occurring in the future. We also recommend the City review the updated Travel and Per Diem Act. We recommend City staff reevaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem.

Views of Responsible Officials and Planned Corrective Actions – Management will follow the recommendations of the auditor.

The net effect of all the errors resulted in an underpayment of per diem. To staff’s knowledge, we never received a memo from DFA advising us of the increase in the mileage rate. The Department of Finance and Administration now has our current contact information to ensure we get timely notices. The City now has a copy of the current memo and has corrected the rate for mileage as of October 28, 2010. The city will review any payments prior to this date of notification by the auditors and make the necessary corrections.

In the single instance where an elected official was paid both mileage and fuel, it resulted in a total underpayment because of using the wrong mileage rate at that time. Management is confident that the changes made will result in compliance with travel and per diem payments.

**STATE OF NEW MEXICO
CITY OF DEMING**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-12 – Legal Compliance with Adopted Budget

Statement of Condition – During the review of the City’s individual budget comparison statements and detailed budget analysis, we discovered the following deviations concerning the final authorized budget within the Community Center and CDBG 2008/2009 Option funds:

<u>Fund</u>	<u>Cash 07/01/09</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Cash 06/30/10</u>
Community Center	\$ 26,791	\$ 74,102	\$ (477,472)	\$ 344,000	\$ (32,579)
CDBG 2008/2009 Option	-	44,000	(44,000)	(20,485)	(20,485)

The budget appropriations within the Community Center Special Revenue Fund totaled \$444,893; however, the City established the budget expenditures at \$477,472 that caused a projected cash deficit of \$32,579, which is a violation of New Mexico state statutes.

The City budgeted revenues and transfers within the CDBG 2008/2009 Option Capital Project Fund at \$67,615; however, the City budgeted expenditures and transfers out at \$88,100 that caused a projected cash deficit of \$20,485, which is a violation of New Mexico state statutes. Budgeted expenditures and transfers out cannot exceed beginning cash, budgeted revenues and transfers in.

In addition to the problems noted within the Community Center and CDBG 2008-2009 Option funds, we noted that within the enterprise funds the City does not budget for gross receipts taxes received for utility services and recorded as revenue, nor does the City budget for payments to the state of New Mexico for gross receipts taxes, which is recorded as an expense. In addition to the gross receipts taxes, we noted the City does not budget for customer utility deposits received and recorded as revenues, nor does the City budget for payments for refunds of customer utility deposits, which is recorded as expenses.

Within the general fund, we noted that the City does not budget for activity within the two checking accounts maintained by the Municipal Court.

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 prohibit local governments from creating a budget that reflects a deficit cash balance at year-end in any individual fund, thus, making expenditures in excess of the approved budget and make public officials liable for such expenditures. Additionally, the City should have budget authority for all expenditures including gross receipts taxes expenditures, refund of utility deposits expenditures, and the municipal court expenditures. Officials and governing authorities have the obligation to follow applicable state statutes.

Effect – Noncompliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-12 – Legal Compliance with Adopted Budget (continued)

Cause – In preparing Budget Adjustment Resolutions (BARs), the City made human errors in ensuring expenditures, per fund, did not exceed the budgeted appropriations.

The City has never budgeted either the revenue or expense for either gross receipts taxes or customer utility deposits.

The City has never budgeted for the activity in the two checking accounts held with the Municipal Court. The City only budgets for the monthly receipts remitted to the City from the Municipal Court and remitted to the Administrative Office of the Courts.

Recommendation – We recommend the City’s staff and councilors follow their policies and procedures concerning the review of the City’s budget, by fund, to ensure expenditures do not exceed total budget availability. We recommend the budget review be done monthly or quarterly. This will allow the City staff to prepare any additional budget adjustment resolutions necessary to ensure that the City does not spend unauthorized funds in any fund.

Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding. During the year-end budget adjustments the city failed to address the mentioned deficits. The budget adjustment worksheet has been redesigned so that cash deficits are reflected and will be corrected. It should be noted that the finding was a budget issue only. Actual results produced no cash fund deficits.

In reference to the cash basis treatment of liabilities, the city has been following the prior instructions from the Department of Finance Administration (DFA) not to budget any items that are liabilities. Depending on which analyst you talk to at DFA, they tend to give conflicting opinions. Our most recent contact with DFA reversed a previous opinion and interpreted liabilities differently. He stated that liabilities are in the trust of the entity and we need to include these items in our budget. The city will comply with DFA’s current opinion. Staff will look into creating liability accounts in the cash basis general ledger.

Management wants to thank the auditors for bringing the situation at the municipal court to staff’s attention. Staff is in the process of changing processes for the receipt and disbursements of funds from the courts to be in compliance and follow audit recommendations.

Item 2010-01 – Lodgers’ Tax Audit

Statement of Condition – During the fiscal year ended June 30, 2010, the City received \$307,826 of lodgers’ taxes paid by various hotels and motels located within the City limits. The City did not perform an annual lodgers’ tax audit of local hotel(s) or motel(s) as per City ordinance. Furthermore, the City failed to report to the New Mexico Department of Finance and Administration a report of the City’s annual lodgers’ tax audit.

Criteria – Chapter 2, Section 3-2-12A of the City’s Lodgers’ Tax Ordinance states, “*Annual Random Audits: If the City collects more than two hundred fifty thousand dollars (\$250,000) in annual occupancy tax proceeds, the City Council shall select for **annual** random audits one or more vendors to verify the amount of gross rent subject to the occupancy tax and to ensure that the full amount of occupancy tax on that rent is collected.*”

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2010-01 – Lodgers’ Tax Audit (continued)

Criteria – Chapter 2, Section 3-2-12B of the City’s Lodgers’ Tax Ordinance states, “*Number of Vendors Audited: The City Council shall determine each year the number of vendors within the City to audit.*”

Furthermore, Chapter 2, Section 3-2-12C of the City’s Lodgers’ Tax Ordinance states, “*Performance of Audit: The audits may be performed by the City Clerk or by any other designee of the City Council. A copy of the audits shall be filed annually with the Local Government Division of the New Mexico Department of Finance and Administration.*”

Finally, Chapter 2, Section 3-2-8 of the City’s Lodgers’ Tax Ordinance states, “*Vendor shall maintain adequate records of facilities subject to the tax and of processed received for use thereof. Such records shall be maintained in the City, and shall be open to the inspection of the City during reasonable hours and shall be retained for three (3) years.*”

Effect – By not conducting annual random lodgers’ tax audits of local hotels and motels, the City cannot verify or ensure that all lodgers’ tax, paid by patrons of local hotels and motels, are correct, accurate and submitted to the City on a timely basis.

Cause – During the fiscal year, the City selected, randomly, from a hat that contained all the hotel/motel vendors within the City limits, a small hotel/motel for the annual lodgers’ tax audit, which was to be conducted by a local certified public accounting (CPA) firm. The CPA firm and the City Administrator discussed the situation, and the City Administrator determined the current year lodgers’ tax audit would not be conducted during the fiscal year. The City Administrator states he was informed by the CPA firm that the lodger’s tax could be conducted bi-annually. Upon further research and presentation of the audit finding the City determined that the lodger’s tax audit should be done annually as per ordinance.

Recommendation – We recommend the City to conduct an annual audit of their lodgers’ tax receipts as the City has done in the past. We recommend the selection of the entities to continue to be done randomly. We recommend all hotels and motels, located within the City limits, are subject to audit as there is a higher likelihood that smaller entities may not be reporting all the lodgers’ taxes rather than a large corporation that has the resources to purchase and use software that would keep track of such taxes.

View of Responsible Officials and Planned Corrective Actions – As there is no specific time limit in the ordinance in which to conclude the audit for the fiscal period above, the City challenges the appropriateness of the finding. The City’s ordinance requires that the entity retain records on site for three years which sets a time frame in which to conclude an audit. The City is aware of the audit requirement, and was pursuing an audit when staff questions arose about the selection process of the business to audit. The lodger’s tax auditor has been engaged to audit two payers each in calendar years 2009 and 2010. These time frames and audit instructions fall within the parameters of the existing ordinance.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS –
SECTION 595 OF THE WATER RESOURCES DEVELOPMENT
ACT OF 1999 CFDA NO. 66.418**

None.

SECTION IV – PRIOR YEAR AUDIT FINDINGS

Item 2007-02 – Bank Reconciliations – During the prior year's audit, it was noted the City's bank reconciliations did not agree to the general ledger at year-end. During the fiscal year, the City's bank reconciliations agreed with the balances listed on the general ledger. The finding has been resolved.

Item 2007-03 – Cash Receipts Retention – During the prior year's audit, it was noted the City's receipts were not consistently filed; documents not always clearly identifiable and similar transactions not documented consistently each time. During the current year, the City modified their cash receipts retention policy. The finding has been resolved.

Item 2007-06 – Submission of Audit Report – During the prior year's audit, it was noted the City's audit report for the fiscal year ended June 30, 2009 was not submitted by the due date of December 1, 2009. The finding has not been resolved and is updated and repeated.

Item 2009-01 – Stale Checks – During the prior year's audit, it was noted the City had stale checks on their books and failed to follow The Uniform Unclaimed Property Act. During the fiscal year, the City's staff voided the checks and began to conform to the Act. The finding has been resolved.

Item 2009-02 – Preparation of Financial Statements and Disclosures – During the prior year's audit, it was noted the City relied upon their independent auditor to prepare the financial statements and to prepare the necessary information to convert the City's cash financial statements to accrual financial statements. During the fiscal year, the City prepared some of the information necessary; however, the independent auditor continues to prepare the financial statements. This finding has not been resolved and is updated and repeated.

Item 2009-03 – Ambulance Receivables – During the prior year's audit, it was noted the City had never recorded the receivable or the allowance for accounts deemed uncollectible. During the fiscal year, the City hired an outside professional ambulance collection agency to collect and determine the amount of receivables and uncollectible at year-end. The finding has been resolved.

Item 2009-04 – Bank Depositories – During the prior year's audit, it was noted the City maintained interest bearing account in two separate financial institutions and such deposits were not invested in a ratio based upon the financial institution's total deposits. During the fiscal year, the City did not allocate their interest bearing accounts between the two financial institutions. This finding has not been resolved and is updated and repeated.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION IV – PRIOR YEAR AUDIT FINDINGS (continued)

Item 2009-05 – Collateral of Public Monies – During the prior year's audit, it was noted securities pledged by a local bank did not meet the requirement of New Mexico State Statutes. During the fiscal year, the City failed to ensure sufficient collateral was pledged against cash accounts held at an investment company. This finding has not been resolved and is updated and repeated.

Item 2009-06 – Deposit and Investment of Public Funds – During the prior year's audit, it was noted the City invested cash in institutions not located within the boundaries of the City, which is a violation of state statute. During the fiscal year, the City failed to reinvest the investment on the day it matured thereby allowing cash to be held by the investment company. This finding has not been resolved and has been combined with item 2009-05.

Item 2009-07 – Anti-Donation Clause – During the prior year's audit, it was noted the City purchased meals for the annual Christmas party/awards banquet for City employees. During the fiscal year, the City did not purchase employee meals at the annual banquet. This finding has been resolved.

Item 2009-08 – Travel and Per Diem – During the prior year's audit, it was noted the City failed to calculate correctly employee travel and per diem reimbursement amounts. During the fiscal year, the City failed to implement the changes in the mileage reimbursement rate, thus failing to reimburse employees the correct amount. This finding has not been resolved and is updated and repeated.

Item 2009-09 – Grant Compliance – During the prior year's audit, it was noted the City failed to meet all requirements from funding sources. During the fiscal year, the City hired a grant administrator and updated policy and procedures concerning grant compliance. This finding has been resolved.

Item 2009-10 – Annual Inventory of Capital Assets – During the prior year's audit, it was noted the City did not perform a year-end physical inventory of capital assets. During the fiscal year, the City performed the annual observation of capital assets on June 30, 2010. This finding has been resolved.

Item 2009-11 – Customer Utility Deposits – During the prior year's audit, it was noted the City was unable to reconcile and determine the balance for the customer utility deposits. During the fiscal year, the City performed a review of all customer deposits and adjusted the subsidiary ledgers. This finding has been resolved.

Item 2009-12 – Legal Compliance with Adopted Budget – During the prior year's audit, it was noted the City exceeded the authorized budget within two funds. During the fiscal year, the City budgeted expenditures in excess of authorized budget availability within two funds. This finding has not been resolved and is updated and repeated.

Item 2009-13 – Written Accounting Policy and Procedures Manual – During the prior year's audit, it was noted the City did not have a current accounting policies and procedures manual. During the fiscal year, the City created an updated accounting policies and procedures manual. This finding has been resolved.

STATE OF NEW MEXICO
CITY OF DEMING
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2010

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on March 10, 2011. Present for the City were Andres Z. Silva, mayor; William C. Shattuck, mayor pro-tem; Richard F. McInturff, city administrator; Richard Kocab, assistant treasurer; Laura Holguin and Lloyd Valentine, budget analysts. Present for the auditing firm were Ed Fierro, CPA and Dominic Fierro, audit manager.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Deming as of June 30, 2010. The City's upper management have reviewed and approved the financial statements and related notes, and they believe that the City's books and records adequately support them.